Crime escalation shows up welfare state failu[re]

by Allan Levett

INCOME maintenance and law and order are the two remaining services to be discussed in my review of the Planning Council's report, The Welfare State? Social Policy for the 1980s.

These two are respectively the costliest and the least expensive in terms of total state spending: social welfare, mostly income maintenance, will take 29.2 per cent this year and law and order just under 2 per cent.

Despite the massive increase in the former, due to National superannuation, over a twenty-year period law and order spending has grown at the fastest rate — faster also than education and health. Law and order costs averaged 72 per cent in the 1950s, while social welfare already required over 20 per cent of total government expenditure.

The increased cost of law and order, is one measure of the failure of the welfare state in New Zealand.

The people most often apprehended by the police, most charged in criminal courts and appearing in family and children's courts, and given the most severe (and 'costliest') "treatment", come overwhelmingly from the poorer sections of the community, above all with a record of school failure.

They come from the most vulnerable "at-risk" sections of society, precisely those the welfare state was in part designed to assist in order to reduce the risks — and the costs.

Certainly when New Zealand's earlier welfare state was operating most equitably — when all families were well-housed and well-fed, when the poor were still hopeful about schooling for their children, when there was no state-subsidised "private" medical system bleeding the public health facilities — in those days, also of full employment, the rate of offending in New Zealand was extraordinarily low on a world comparative basis.

Thus one aspect of the growth of delinquency and crime in New Zealand and of the consequent growth in the costs of social control, points to increasing inequality of access to public services.

This is not the whole story on law and order, nor is it the aspect that the Planning Council deals with. We should not need high crime rates to want to eradicate poverty and reduce school failure and unhappy home life.

The Planning Council concentrates on two other aspects of law and order, both critically important and dealing directly with government expenditure.

The first is the overabundance of laws, statutes and regulations, and the second is the rising costs and increasing failure of our methods of handling crime.

Crimes are created by laws and the increasing number of laws is said to have produced the greater volume of business coming before the courts and the police. Also it adds unnecessarily to the complexity and costliness of the criminal justice system.

The Planning Council's recommendations, though sensible, are rather superficial, mainly because there is no analysis of how the present situation came about: Simplify the body of laws—language and procedures; Reduce the total number of statutes and regulations; Eliminate outdated laws; Instead of constantly using laws as sanctions, develop more persuasive systems (sic) of inducement and reward (the carrot, and not the stick).

The problem of too many laws (and lawyers!) is widespread in politico-legal systems like our own. The body of law has not been altered sufficiently to keep up with changes in the pattern of living and what might be called, the techniques of civilisation.

But there are special New Zealand features to the problem, that affect our overall capacity to adapt as a nation, and not just the criminal laws

- Statutes are easier to introduce in the New Zealand Parliament than in other legislatives which have procedures that require prospective laws to be more thoroughly scrutinised.
- New Zealand MPs are pitifully supplied with back-up staff and are little able to examine proposals closely, let alone develop alternatives.
- For various reasons the New Zealand Parliament is not a genuine debating chamber, and it lacks the capacity to search for remedy and reform.
- Most serious fall, because more widespread in the society, is a tendency to favour laws filled with specific, ad hoc detail, over statements of principle, or high level generality. So most Acts of Parliament are cumbersome intricate structures bloated with amendments.

The Planning Council does not speak of fundamental processes such as these, and so its suggestions for changes in law-making may be whistling in the dark.

As to the handling of crime the Planning Council most usefully documents both the high costs and the failure to be effective. It costs over $12,000 per year to keep a man in Paremoremo and just under that for a girl in a girls' home. Neither has much effect on reducing crime among prison graduates.

It turns out that we use imprisonment, the most costly method, more than most countries — in fact our imprisonment rate is five times that of Holland.

Unhappily the Planning Council's report fails to show a full awareness of the incarceration problem, and the proposals for reform are little tinkerings that will neither improve effectiveness nor reduce costs: New referral procedures, additional counselling in the community, a separate prosecution authority etc.

Experience in Europe suggests that reform has to be quite tough-minded in resisting such suggestions as these. There has to be a firm intention to reduce the prison population drastically and to adopt policies of decarceration. No increa[se in] crime need be feared.

All attempts to do go[od,] deter or treat criminals [should] be dropped and liberal forms of people-proces[sing] that go on. They don't ...

What is suggested ... natively, is something ... Gilbert and Sul[livan] memorialised; "Let [the] punishment fit the crime" not the criminal.

Some of the Plan[ning] Council's proposals on in[come] maintenance are w[ell] known because the Go[vern]ment appeared to act on ... even before the ink of ... Council's report was dry. ... the Council is taking th[e] for changing the tax bas[is] National Superannuation ... than the Government!

This is a pity becau[se] Council's short-term ... proposals will not cha[nge] inequity present ... National Superan[nuation] scheme. So we can exp[ect] improvement — the ... looking after the 20 per ... the aged who are les[s] served by ... Superannuation.

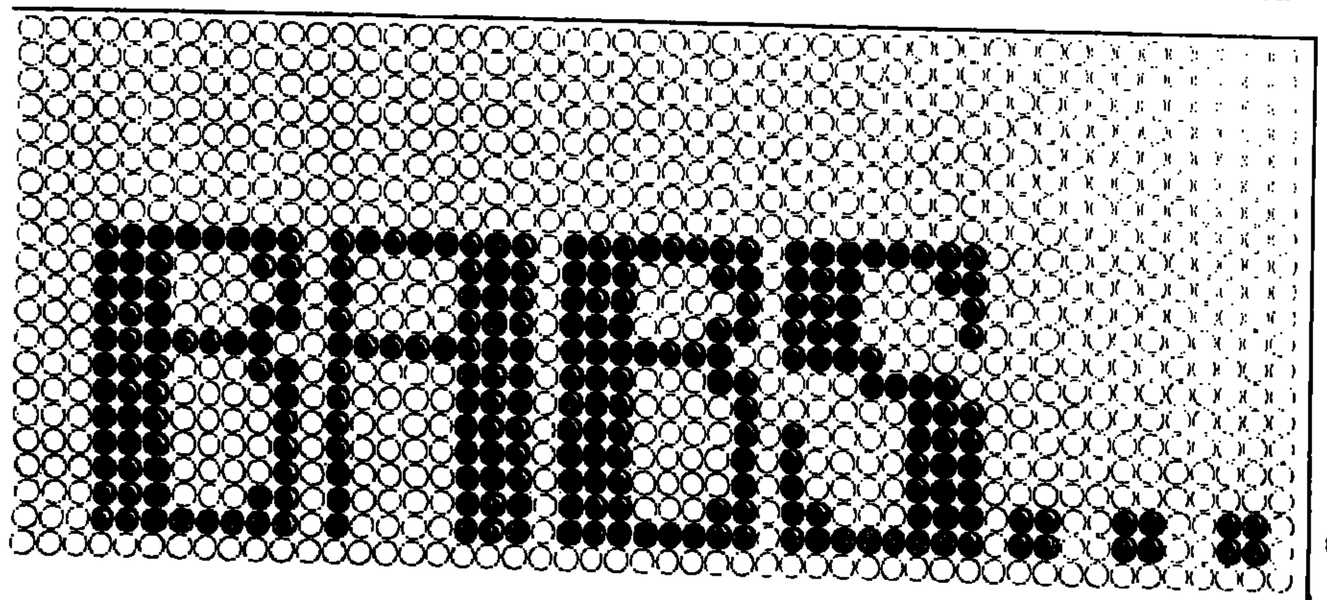
The Council also ... proposed raising the ... perhaps to 62 or even ... 65, but understandably ... not receive mention in ... budget.

The Planning Counci[l's] work here, as in other ... of its report, lies ... specific proposals ... with pointing out the ... our problem with ... valuable facts and ... time series.

However, with ... income maintenance ... Planning Council ... Following a master... of three main ... operation in New ... sorts out principle ... reform and provide ... broad optional direct[ions].

The Council propose[s] levels of income support ... Government should be ... on need, and not, as at pr[esent] the historical origins ... scheme under which ... beneficiary establish[es en]titlement. It is amazing ... that simple tim[e] principle can be forgo[tten] new schemes are intro[duced] from time to time for p[olitical] purposes.

That is the tension in ... planning and that is wh[ere the] limits of planning lie.



National Business Review

LIBRARY

60 cents

Volume 9, No 30 (Issue 347) August 15, 1979

Insurance industry pushes for tighter legislative controls

by Rae Mazengarb

THE looming legal row over $300,000 worth of insurance claims which have not been met, resulted because legislative controls are inadequate. And what controls there are, are difficult to police.

Recommendations for legislation to tighten up the brokering business and bring brokers within the control of the Corporation of Insurance Brokers and its stringent code of practice are now in the hands of the Minister of Justice.

If legislation of the type recommended had been in force, the present situation might have been avoided.

But a bill is unlikely to be included in this year's legislative programme.

Meanwhile the Corporation of Insurance Brokers, which initiated the proposals, is concerned that any failure by R Tether (Insurances) Ltd to pay out on claims will reflect on the brokering industry as a whole.

The corporation has no disciplinary powers over R Tether (Insurances) Ltd or Russell Tether himself, as neither are members.

The row has been brewing for some time. But because of the libel laws in this country it has been difficult to bring the story out in the open.

The insurance industry generally appeared to dive for cover and would say nothing publicly.

Both the New Zealand Insurance Council and the Corporation of Insurance Brokers felt unable to make public statements about the affair last week.

There are many unanswered questions.

Legal actions initiated so far indicate there is confusion among both lawyers and their clients over just who is the party liable: R Tether (Insurances) Ltd (which has a paid-up capital of $10,000?) Commodore General Insurance Co Ltd? Russell Tether himself? Other brokers who placed business with the company or him? Their employees?

To cover every event, some actions cite them all.

It is still not clear if the delays in meeting the claims lie with Tether's company or with the Commodore group.

It has become evident that Commodore General Insurance Co Ltd, the Hong Kong-based insurance company, failed to lodge a compulsory $500,000 bond with the Public Trustee under the Insurance Companies Deposits Act amendment of 1974.

The Justice Department says that this bond is required for the company to operate legally in New Zealand.

Yet it is understood R Tether (Insurances) Ltd dealt with Commodore for three to four years.

R Tether (Insurances) Ltd would have had to deposit such a bond if it had been operating as an insurance company rather than a mere agent for Commodore.

Under the Companies Act 1955 that company would also have to have a capital of not less than $100,000 paid up intact if insuring property of other than its members.

According to an article in the Auckland Star, Commodore issued written authority to Tether to act on its behalf and accepted premiums of $51,500 in cash, less brokerage.

NBR has a copy of a letter written on Commodore letterhead which reads: "To whom it may concern.

"R Tether (Insurances) Ltd are empowered to bind business in the name of the above company as from 30 September 1977 in respect of marine hull, bloodstock and aviation insurance and-or reinsurance as per the limits stipulated hereunder.

"Marine hull $200,000 NZ currency

"Bloodstock - Livestock $100,000 NZ currency

"Aviation Hull $200,000 NZ currency

"The Company undertakes to forward the relevant Underwriting Agreement to the Coverholder within 14 days."

The letter is signed but the signature is unclear.

Underneath the signature is the word "Director". No witnessing signature nor company seal is evident.

Nor is it clear if the amounts indicated refer to each individual policy or total amount of insurance authorised.

It is understood Tether's company may have arranged insurance for some 100 fishing vessels and 200 aircraft.

It is not clear how much of that insurance was placed through Commodore.

But others in the industry say R Tether (Insurances) Ltd's premiums were "inordinately low" considering the company was operating in a high risk area.

Gross premiums for insurance cover on 200 planes and 100 boats could conceivably be in the million dollar range, said one broker.

Two large fishing trawlers alone could cost tens of thousands to insure.

An additional protection when cover is placed through members of the Corporation of Insurance Brokers is provided by their compulsory professional indemnity cover. Invariably this cover is issued by Lloyds. Whether Tether Insurances, though not a member, holds such cover has not yet been disclosed.

All brokers would be covered if the behind-the-scenes moves to make registration compulsory succeed.

The corporation also insists that members adhere to certain standards.

For example, it is standard practice not to place business with an overseas insurance company unless it has placed the required deposit with the Public Trustee.

Corporation members also have the advantage of detailed information on overseas reinsurers.

The managing director of Stenhouse Reed Shaw Ltd, Murray Hogan, who is also president of the corporation, said his firm receives a worldwide listing of insurance companies giving each a grading.

"We are not allowed to do business with companies below a certain grading", he said. He was sure other CIB members had similar arrangements.

Commodore did not appear on that listing.

A spokesman for another large brokering firm said his company insists that all insurance companies it deals with send an annual report.

The corporation submitted its recommendations to the Minister only in the last week or so.

It is understood the recommendations include provisions similar to British legislation which requires brokers to be registered.

The present controversy is expected to give force to those recommendations.

Fund chairman earns unitholder acceptance

THE Fund of New Zealand unitholders meeting last week was a personal triumph for management company new chairman Doug Hazard.

Unitholders endorsed all Hazard's policies unanimously and cheered him on several occasions.

All this in spite of the hard news Hazard had for unitholders. Unitholders were still locked into their investment.

Some properties were still losing money. And Hazard said he would like to finish the fund's biggest white elephant — Chartwell Regional Centre, rather than sell it unfinished at sacrifice prices.

The only cheerful news was that Hazard had cut management expenses from more than $100,000 to $70,000 and further cuts were coming.

The meeting contrasts sharply with those in the past three years when angry unitholders voted to have the managers, Fund of New Zealand Services Ltd, thrown out of office.

Now Hazard is chairman of this management company, (though he has no financial interest in it) and appears to be calling all the shots, including reducing the management company's fees.

An appropriate case for getting together

by Colin James

AND now the super-quango. Energy Undersecretary Barry Brill wants to short-circuit planning procedures for gas processing plants.

"Can we afford to wait for projects of vital importance to find their way through the jungle of bureaucracy?" he has twice asked in the past few weeks.

As promoters of industrial projects in the past have found to their horror, it can take years to get through all the hoops, if environmentalists take a dislike to the proposal.

Gas processing plants, particularly petrochemical plants, are environmentally damaging.

Brill fears environmentalist opposition to any of the Maui gas projects could delay it up to four years.

So he wants full powers to be given to the Planning Tribunal (the town and country planning appeal body) to decide and grant all the myriad permissions now necessary from local and national authorities — local bodies, ports authorities, the Water and Soil Conservation Authority, the Environment Commission, and so on.

The tribunal would be able to hear submissions from these bodies, and impose conditions on the operation of the proposed plant, but not to reject a proposal.

In other words, if the Government chose your backyard for a petrochemical plant, that would effectively be that.

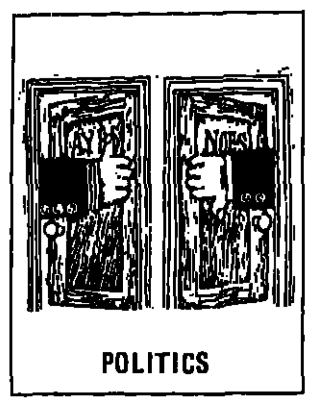
We have had a taste of this sort of approach. Petrocorp committed us to an ammonia-urea plant without first obtaining water discharge rights and without an environmental impact report.

There will be a lot of sympathy with Brill's ambition. The Iran revolution has brought home to the ordinary man in the street how vulnerable our economy is to uncontrollable political events in the Middle East and how urgent it is to exploit the gas.

In other words, it can cogently — though not necessarily conclusively — be argued that short-circuiting the planning procedure would be in the national interest.

But it would be a chilling expansion of state power. Beside Brill's planning supremo, the fiscal regulator is a pinprick.

To me it points up the



POLITICS

pressing need for the development of a genuine consensus about our energy future.

Huge sums are involved — in Brill's estimate, an investment of about $1300 a head.

The political decisions of the next few months will tie us into a fairly fixed development pattern for a decade ahead. Successive governments are likely to find their room for decision-making severely restricted.

The danger is that the decisions made by this Government with its ideology of profit (implying exploitation) might be incompatible with a future Labour Government's ideology of self-sufficiency (implying suspicion of the giant multinational oil companies).

In 1961 it was relatively easy for a new National Government to undo the commitment of the previous Labour Government to a cotton mill in Nelson.

If a post-1981 Labour Government tried to turn the gas ship round, we would all risk being thrown overboard.

It would seem more sensible to try to develop a bipartisan consensus on the gas development programme.

It has been done before. During the world wars there were coalition war administrations. In peacetime both parties co-operate on legislation dealing with

BARRY BRILL . . . jungle of bureaucracy.

company collapses like the PSIS.

Opposition leader Bill Rowling says he thinks it would be a good idea

You might choose not to believe this, but he also says he would seek a consensus if he was Prime Minister, provided there was a reasonable leader of the Opposition

Instead, the Labour Par[ty] being left pretty much in [the] dark, though a couple of th[e] companies have in[...] themselves by ma[...] presentations to the La[bour] MPs.

And that is the way it [...] remain.

New Zealand operates [an] adversarial system — the[...] people resolve probl[ems] through combat. That goes [for] our courts, our indus[trial] relations, our politics.

And the Government [...] decisiveness in e[...] decision-making is one w[ay it] can buy back votes for [...]

So it comes down to the [...] tra-Cabinet battle. Can [a] nationalistic Prime Min[ister] who shares Lab[our's] suspicions of the oil g[iants] force a compromise out[...] get-rich-quick brigade [...] against him?

And will that, parado[xically,] in view of his usually [...] nature, take us nearer [...] the consensus migh[t have] been?

National support rises: party not written-off

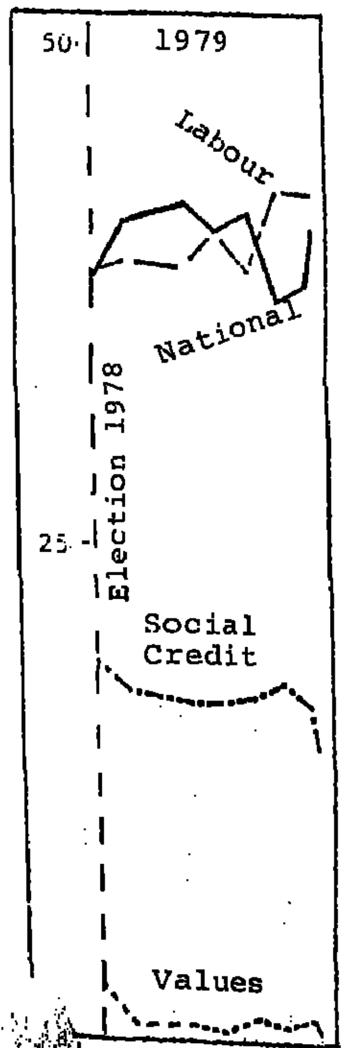
by Colin James

DON'T write the National Party off yet for 1981. The Heylen poll has turned up some tentative supporting evidence for those who believe it may have turned a corner.

Between the Budget on June 21 and July 14, when the most recently available poll was taken, National's rating rose sharply to be within 2 percentage points of Labour.

As the graph shows, this rise was mirrored by a downswing in Social Credit support.

In 1978 Social Credit votes were swelled by people who thought National had deserted its principles — that it was too socialist in economic management and its attitude to the welfare state and that it was too soft on the unions.



The small step toward a more market-oriented economic approach contained in the Budget has won qualified praise — most notably from perennially critical Federated Farmers and from the National Party top brass, president George Chapman included.

This may be encouraging some of the 1978 deserters to reconsider.

It is too early to say whether this is so. But last month's figures will encourage National strategists in their beliefs that:

- The real battleground for 1981 is the 1978 Social Credit vote; and
- Getting back to basic principles is the way to win that battle.

In the meantime, the Labour Party might be asking itself why it has managed such a small lead over National at a time when the Government has seemed at a very low popular ebb.

In the economic and political disarray of the past six months, the Opposition party might in any other country be expected to be ahead.

Instead, the detailed Heylen results show, over the past six months Labour has been losing more support than National to Social Credit and winning less from Social Credit.

Bill Rowling has also been unable to get nearer than 2½ points to the Prime Minister in popularity, with the single exception of late March, after a month of industrial unrest. At times he has been 12 points behind.

It is thus interesting to find David Lange still featuring strongly as the fifth-rated politician, behind Bruce Beetham and Brian Talboys, even though he has kept a low profile since the election.

It is also interesting to note the emergence of Richard Prebble — from a nil rating in March, to 0.1 per cent in May and 1.1 per cent in the July 14 poll.

Clearly the 1981 election is not decided yet. It is not out of the question that the present Prime Minister will lead National in 1981 — and lead it to victory.

Auditors tone down attack

by Stephen Bell

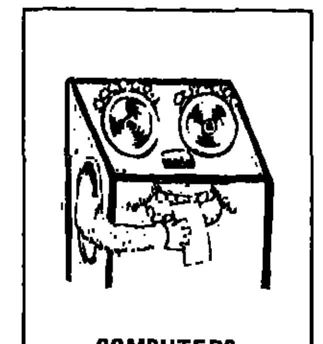
HAVING sparked more bad publicity for the Health Department's computer network, the Audit Office has made a hurried attempt to smooth over ruffled feelings within the department.

The third part of the Auditor-General's report, issued last month, pointed to time and cost over runs in the network's development, and used the Health system as an example of the need for a general review of computer operations in the public sector.

This apparent singling out of the Health Department network clearly displeased staff within the department's DP division. It was felt, moreover, that the negative tone of the remarks might discourage some hospital boards from using the system.

With this latter prospect particularly in mind, the Audit Office cast about for a suitable forum to tone down some of its remarks.

On August 4, deputy



COMPUTERS

Auditor-General Geoff Chapman gave a brief address at a conference of hospital board chairmen.

"I would freely acknowledge," said Chapman, "that the article (in the Auditor-General's report) has overemphasised the negative aspects of the Health Service computer system."

He went on to emphasise the necessity for all, or at least the majority of hospital boards to use the network, so that economies of scale could be realised.

Latest figures available show that 10 out of the country's 29 hospital boards have implemented, or are implementing, their payroll on the network. Seven boards have implemented part of the uncompleted patient admission-discharge system.

Development of the system is undoubtedly running late, but blame for this could be apportioned in several directions, said Eddie Cox, director of the department's DP division.

He said that delivery of some software from computer supplier Digital Equipment was late, the 1976 review of the project had imposed delays, and several additions had been made to the originally planned system. The last factor, Cox agreed, had also added to the cost of the system.

The cost comparison in the Auditor-General's report is particularly interesting. The Health project has repeatedly been referred to in the press as "the $28 million computer system". This was the figure quoted by United States consultant Touche Ross for the full five-year project, based on the likely eventual extent of the network.

The figure quoted as "total estimated expenditure" in the Auditor-General's report is the much lower one of $18.4 million.

This has apparently been taken from a submission by Health Department personnel to the 1976 review committee and included only the portions of the network implemented or firmly planned at that time.

The use of the lower figure makes the alleged cost over run look considerably larger than it would have done if the more widely accepted $28 million figure had been used.

Indeed, comparing this figure with the $23.7 million current expenditure (covering four years) and accounting for inflation and the additions to the system, it could be argued that there is little or no over run in costs.

Contractors conference blasts Works Minister

CONTRACTORS are furious with the performance of Bill Young as Minister of Works and Development. They've called for his resignation.

Young's appearance before the Contractors Federation's Conference in Auckland last week fuelled the fires, rather than calmed the delegates.

Young held out the prospect of a healthy future for the industry — once the Government started its energy development programme.

That was not enough for the quietly angry delegates who wanted immediate action to get more work, and to reduce the share of available work performed by State and local authorities.

In a speech peppered with references to the country's economic state and the need for more restraint, Young offered delegates the rebuilding of new woolsheds as one result of renewed rural prosperity.

Young's tour de force speech and replies to questions prompted a motion of no confidence in his ability to switch resources from public to private use.

It was carried unanimously. Contractors have now decided to go for broke in their battle with the Government over the massive Clutha scheme.

The industry sees itself losing the fight with the Ministry of Works and Development over who will get the bulk of the work on the $1000 million project.

Despite the intense lobbying of the Government's "free enterprise" members, the Contractors Federation is now losing patience.

Allied to this is a general disillusionment with the economic health of the construction sector, and particularly with a perceived lack of progress in persuading the Government to curb the power of departments, and local bodies.

This week, the federation is due to make a stinging attack on the power of the bureaucracy, and the politicians' reluctance or inability to do anything about it.

The Contractors Federation is being run largely by the major earthmoving contractors, who are pinning a lot on the success of the "construct by contract" campaign and the battle to get the bulk of the work on the Clutha scheme.

But how winning the Clutha battle will help the smaller firms in the industry is not clear to many members — a point Bill Young also made to the conference.

Young did say that the Government had three options on the Clutha:

- Giving it to one contractor — (and he indicated that was not really on);
- Giving it to a consortium — (which he indicated had substantially the same difficulties as the first option);
- The option he appeared to favour was to make the MWD responsible for project design, engineering and administration, with New Zealand firms contracting to supply materials and equipment to the MWD.

According to Young, that would give contractors 60 per cent of the work available.

But he admitted that with supply of materials accounting for between 40 per cent and 50 per cent of the projects' cost, the MWD would still have the bulk of the actual construction work, performed by its own forces.

Des Mataga, from Wilkins Davies, also reminded Young that contractors wanted to be an industry, not a plant hire association

Several firms which were previously strong moral and financial supporters of the National Party are pulling back and in one case a member whose contribution to party funds annually ran into five figures has written to the Prime Minister on the point.

Outspoken National Councillor, Fred Willetss, summarised a common sentiment about the National Party leadership.

"Muldoon's nothing but a socialist and we are not going to support that," he said

"We want a return to free enterprise away from all this over-regulation so a bloke can get on and run his business free from interference"

Young certainly got the message both formally and informally during his period at the conference

He was assailed at a cocktail party by several industry leaders in turn, at the end of which he reportedly said he was ready for bed, and departed shortly afterwards.

Feelings ran high both about the decline of the industry and the Government's level of political commitment to private enterprise ideals.

Several speakers at the Contractors Conference admitted openly their membership of the National Party.

The conference endorsed a remit passed at the last National Party Conference calling for a return to private enterprise, competition, individual effort and initiative.

Birkenhead National Party delegate Bob Tuxford told the conference the party conference had given MPs the message and "that if the Prime Minister does not perform, his job's on the line".

A survey by the federation of 18 large to small companies showed a substantial real decline in work carried out and in hand from 1978 to early next year.

The companies surveyed completed $82 million worth of work in New Zealand to the end of March 1978. A year later this had dropped to $72 million, and work in hand to end of March 1980 was put at $40 million.

That's a drop in real money terms of 57 per cent in the three year period.

EDITORIAL

POLITICAL leaders on both sides of the Tasman are embraced in a major initiative to forge a closer relationship between New Zealand and Australia. And while the movement towards a free-trade bloc has gained momentum over the last few weeks, surprisingly there have been few indications of apprehension from manufacturing or farming lobbies — recognition, perhaps, that this country is too small to go it alone in a world dominated by trading giants like the United States Japan, and the EEC.

Prime Minister Rob Muldoon gave a sign of the direction in which we are headed at the National Party conference, when he said a committee had been set up to look at the trans-Tasman relationship. He met with Australia's Malcolm Fraser in Lusaka during the Commonwealth Prime Ministers' Conference to discuss the matter, while Deputy Finance Minister Hugh Templeton was kicking the idea along on the home front.

The idea of economic union has been bandied about, for years, of course. About a year ago, for example, Planning Council chairman Sir Frank Holmes was advocating the case for New Zealand and Australia working in tandem to advance their political, economic and strategic interests in Asia and the Pacific.

Australia's Trade and Resources Minister Doug Anthony gave the idea impetus when he was in Wellington for the last Ministerial talks on Nafta. He arrived here after a trip through Asia, and the realities of Asian economic and political developments loomed large in his thinking. He was concerned that we should be comprehensively rationalising our trading relationship vis-a-vis Asia, rather than sitting down to talk about peas and beans.

Anthony sees the basic options as simple — to "idle along as we are", or to thoroughly explore the possibilities of a wider and more rewarding form of economic co-operation.

But it isn't only the politicians who have been at work. In May, the leaders of the Australia-New Zealand Businessmen's Council included customs union on their agenda, and the council has commissioned the New Zealand Institute of Economic Research to study factors inhibiting trans-Tasman trade. Customs union is among the study options.

Essentially, this and other official studies are aimed at clearing the decks, to ascertain what would be the most useful form of economic association. Thus they are wide-ranging in scope — but total free trade and a customs union appear to be the most promising options. Officials are planning a time-frame of some 10 years for implementing the idea.

Neither country is said to be working on the premise that spectacular gains will be realised. Rather, the prospect is that the two countries will work together in developing Asian markets from as wide an industrial base as possible, using joint political and marketing clout.

Fundamental to the idea is that both countries are restructuring anyway, so why not restructure together for optimum advantage?

There is recognition of a growing wages and wealth gap between Australia and New Zealand and that if a move to economic union is not made now, it will be too late. Further, the mood now is better than perhaps it will ever be — specially as oil price rises shake New Zealand's economy and place an increasing burden on an import bill which, when invisibles are added, is eating away the advantage gained by our latest 20 per cent increase in export receipts, leaving us with a chronic balance-of-payments deficit.

But whatever the economic merits of a customs union, free trade zone, or whatever, ultimately the outcome of the latest initiatives rests with the politicians. And the idea that is so attractive to politicians today will be promptly abandoned by the same politicians tomorrow if they perceive there might be some electoral disadvantage in their decisions.

Bob Edlin

WITHOUT WORD OF A LIE

NBR's insurance writer John Sloan has been awarded the AMP prize for financial journalism for 1978 for an article on products liability which appeared in our investors' supplement on March 1 last year.

It is the second time Sloan has won the award. And it adds to a growing list of awards won by NBR staffers, among them Auckland reporter Warren Berryman.

Thus a reader thought it appropriate to draw our attention to the Stop Press column of The Sunday Times the other day, which recorded the results of the News Media Flying Mile at a race meeting on publication night. Winner (and 3-3 in the betting) was a beast called Berryman.

●

IT'S enough to make any first-class traveller choke on the complimentary caviare at 10,000 metres.

Economy passengers, and more lately budget fare travellers, have been subsidising the nobs up front for years.

And the huge leap in the cost of first-class travel recently, particularly across the Tasman, is not to pay for the cut price fares announced at the same time.

An Australian study tossed into the negotiations on the new fare structure showed that first class travellers have been getting a bargain.

The space, extra facilities and service, including a la carte meals and free drinks, has been given away at 145 per cent of the economy fare while the real cost was 175 per cent.

So while some budget fares hardly changed and others actually dropped — the new shoulder fare to Sydney and back is down nearly 3 per cent on the old economy fare — the first class return has leapt by more than 26 per cent to 160 per cent of the higher economy fare.

Air New Zealand, it is understood, accepted the high increases reluctantly.

Travellers wanting most of the first-class trimmings, but not wishing to sit next to passengers paying a fraction of the fare, can get a businessman's ticket pitched mid-way between full-fare economy and first-class, but for the time being only on Qantas and Pan Am flights.

●

WELLINGTON cabbie was extolling the virtues of the new fuel the other day, as he drove into the city from Lower Hutt with an acquaintance of ours.

Seems his vehicle was one of the first in that neck of the woods to be converted to CNG.

But his enthusiasm wasn't shared by his passenger when the car conked out on the motorway. She finished up 20 minutes late for work.

●

WE were a mite perturbed last week to hear that the Government was working on yet another set of regulations.

According to our informant, they would oblige every household in the country to install a fireplace. And what with the nature of the energy crisis, and Government's propensity for regulating to take care of problems, we figured the move must be deemed necessary to help cut oil imports, or to ensure that even more water slops over the tops of our dams, or something.

But it transpires that a fireplace is considered desirable in every home to allow the Prime Minister an optimum audience when he broadcasts his next fireside chat.

●

FROM THE LAND OF Ocker comes this item on budgeting. It was published in a financial paper under the headline "Budgeting — or 'how to be a clairvoyant' ".

"The Waterloo for most accountants is budgeting, but if you follow the guide lines below, you will soon master the intricacies of this accounting function.

Let's follow the stages in preparing the annual budget.

Obtain the profit figure the chairman wants for next year.

Check out all the local pubs and when you have located the sales manager, find out what he thinks he will sell next year. Divide this by two and you then have a sales budget.

Deduct stage one from stage two and you then have what is termed an expense budget.

The expense budget must then be broken down into the major elements. The major expense elements are normally:

● Chairman's salary, car, entertainment and overseas travelling expenses. Plus all other perks on which he never pays tax.

● Sales manager's expenses: take last year's figure and multiply by two.

● Auditors' fees. These are on a sliding scale. They normally slide to about four times what they are worth.

● Having taken out the above major elements of expense, the rest — made up of purchases, office salaries, telephone, etc — can be classified as sundry items.

The budget should be broken down over the ... relation to the ... months worked. ... to this approach ... follows:

Chairman's salary ... months worked ... month; sales ... months; accounts ... months a year and ... approximately 55 ... year.

Now comes the ... portant stage of ... preparation. The ... should be typed ... should spend ... checking the ... because if there is ... in the additions, ... director will pick ... send it back to you ... completely.

The completed budget ... be now redrafted ... can be presented ... bankers for ... negotiation. This ... should be carried ... halving all expe... doubling all inc...

The budget will ... throughout the y... relevant exec... follows:

Chairman — ... profits are not ... blame the acc... profits exceed ... indulge in three ... and a substantial ... crease.

Sales manager ... not reach bud... blame the acc... correct budget ... over budget, ... another secret... the letters of ... he will forward ... man, all his ... mother-in-law.

Production ... will be comp... because any ... will overloo... distributing bu...

Accountant — ... the budget, b... know how usele... first place."

BROCKIE'S VIEW

Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper ... Advertising Manager: ... (P.O. Box 9344, Telephones 736-876, 859-019, Wellington.)

Auckland office: Editorial, advertising ... inquiries: Warren Berryman. Telephones ... Published by Fourth Estate Newspapers ... ...ngton. Printed by R. Lucas & Son ... Nelson.

THE Evening Post can only have enhanced its reputation for the quality of business analysis in its commercial pages when it awarded NZTS Holdings Ltd its accolade for "the sexiest cover of any annual report so far received this — in any year". The cover features "a lovely young lady in a bubble bath", encroached upon by a "dinner-jacket-suited arm holding a drink and carrying a bath towel". Which, to the financial writer of the Post, suggests "all kinds of possibilities".

Sad to report, our own Peter V O'Brien has overlooked sex content in his obviously less than penetrating weekly analyses of annual accounts. Presumably he holds that a company's performance and its worth as an investment prospect cannot be gauged by the quality of the cheesecake on the cover, but rather by the bare facts inside.

Apart from the extent to which shareholders and analysts are being kept abreast of company goings-on through the gloss on the cover, there's the thought that NZTS might have boobed by projecting a bathroom image on its annual report.

After all, the company is said to be trying to get away from the soiled towel image which its name conveys and so is to become the more grandiose Endeavour Corporation Ltd.

●

IT had not been one of the great Budget debates, Prime Minister Rob Muldoon observed when winding up the five-week Budget debate.

He could remember the look on Labour members' faces on Budget night "far more clearly than I can remember any of the Opposition speeches that followed."

And he declared: "The public liked the Budget even if the members of the Labour Party pretended to knock it."

How could he tell?

Well, he could tell because the latest public opinion poll showed he was back ahead of the Leader of the Opposition, he said.

And certainly, the poll did show Muldoon was ahead in public esteem. But he may have overstated things when he said the public liked the Budget.

Just two days earlier, at least one newspaper reported that the budget had been a non-event, according to the latest Heylen poll.

●

IF you're still in a carless daze, spare a thought for the woman from Waikanae, north of Wellington.

She has a mother, aged 90, who still lives alone, but needs some help each day.

Her daughter drives six kilometres, twice a day, to her house to give the necessary assistance and considers (family feeling aside) that she is performing a community service by providing the support that keeps one elderly person out of an institution.

She was surprised, therefore, when her application for an exemption was turned down.

No, there was no way around it, she explained to various officials in a series of confrontations. Her mother had to be fed and bathed each day. Yes, she did take a holiday each year, but a good friend stood in for her at these times, carrying on the system as usual.

The outcome — no exemption.

But there emerged one of those rare flashes of bureaucratic genius which make it all worthwhile.

On her carless day, the Ministry of Transport informed her, she could drive 17 kilometres to the nearest police station to apply for a permit to visit her mother. And the same again in the evening — you can't get two permits at once.

Well, that's one way to spend your carless day — driving around chasing pieces of paper, even if it doesn't save much petrol for Bill Birch.

●

THE Labour Department might be the last place to go for a job — unless one has aspirations to become a Government servant on a temporary basis.

One of our contacts with a legal degree and a flair for journalism went to the Labour Department for a job and-or register for the dole.

After reading his curriculum vitae, the Labour Department interviewer deduced the applicant would best be placed in public relations, or marketing.

But: "If a job like that comes in I'll take it myself" the interviewer told the applicant.

To add to the applicant's gloom, the interviewer admired the style of the applicant's curriculum vitae and said he would 'just borrow a few stylistic points to put in his own.

And the chance of a job? No jobs going, he was told. Unless he was interested in a temporary Government job — here a placement could be found in a couple of days.

WHILE Christchurch Mayor Hamish Hay dusts off the welcome mat in hope of Sir Freddie Laker's arrival, the British Government is trying to persuade Air New Zealand to climb aboard the Skytrain.

Since Qantas and British Airways slashed fares between Australia and Britain, Air New Zealand has been pressing for similar off-season budget discounts.

But the British have shown little interest, content to let determined budget travellers arrange their own connecting flights across the Tasman.

Early in the negotiations, which have warbled on and off for most of the year, the British suggested a short low season in each direction. Now they are proposing a low end to end fare without stopovers, which at present — because Air New Zealand does not fly beyond Singapore, Hong Kong or Los Angeles — only British Airways can offer.

At the same time the British are offering Air New Zealand landing rights in London, so long as passengers are not picked en route. In effect Air New Zealand would have to fill a DC10 with cheap fare paying passengers in Auckland and fly non stop to London, other than technical touchdowns for refuelling and crew changes.

Air New Zealand is not interested.

But the British are using the New Zealand reluctance to drag out the talks. And in the background, as the New Zealand Government tries to exert pressure to produce an agreement, hovers Cathay Pacific.

The British Government wants landing rights for the Hong Kong based airline in Auckland in addition to British Airways' twice weekly schedule, a point New Zealand negotiators are not prepared to concede.

For the price conscious traveller the Australian gateway can still save a few dollars despite the latest Tasman fare increases. But the cheapest route there and back is an off season budget return to Los Angeles and a round trip from Los Angeles to London on Skytrain. Cost around $900 ex Auckland.

●

WHEN bureaucrats get smacked over the knuckles for talking out of turn to the press a common excuse is that they were misquoted or reported out of context.

It's somewhat ironic, then, that PSA president David Thorp misquoted and misconstrued the comments of Birkenhead National Party conference delegate Gavin Cook on nationwide TV the other day.

Cook spoke to the conference on taxation and the growth of the bureaucracy.

"Bureaucrats proliferate like maggots as the body economic decays," said Cook.

He was talking about the increase in Government expenditure and regulatory activity and the taxes needed to pay for it all — tax that is becoming so burdensome that productive New Zealanders are emigrating and the country's tax base is declining.

But as Thorp told it, Cook's remarks were directed at all Government servants — such as nurses, policemen, airline pilots, and teachers.

APOLOGY

THE National Business Review of February 21, 1979 carried an article in the "Without Word of a Lie" column relating to the Wellington newspaper publisher, Independent Newspapers Limited.

INL has contested four matters raised in the NBR article and, following inquiry, NBR now accepts INL's objections.

The first matter complained of by INL is the statement that INL was "moving to sell off its large real estate holdings in order to cover the company's forthcoming dividend". NBR has already explained that it was not suggesting that a dividend could be paid only if real estate holdings were sold. INL confirms and NBR accepts that at all times INL was in a position to cover or pay its forthcoming dividend in the normal way from profits.

The second matter raised by INL is that the article can mean that INL out of its publishing business was not able to make good commitments to shareholders and maintain dividends. No such meaning was intended by NBR.

The third point is the claim in the article that INL, in realising its property holdings is "backtracking" on its previous business policies. INL states and NBR accepts that it has always been its policy to develop and-or realise property surplus to the requirements of INL and to apply the money so generated for the benefit of INL and its shareholders.

The fourth issue relates to the passage in the article which can be interpreted to mean that The Dominion was operating at a financial loss and was becoming an increasing burden to INL. NBR now accepts that The Dominion was then and is now operating at a profit and does not constitute a burden to INL.

NBR, in now correcting these matters following inquiry, regrets any embarrassment that the earlier publication may have caused to INL and The Dominion, and apologises to them.

Government's June deficit hits record level

THE ECONOMY

GOVERNMENT'S deficit hit record levels for the June quarter this year making the planned Budget deficit little more than a dream.

According to the June Quarter Public Accounts released last week the Government spent $580 million more in the first three months of the year than it collected in revenue, more than half the year's planned Budget deficit of $1090 million.

Of course, since the 1979 Budget was not released until nearly the end of the June quarter, Government departments could not be sure what their annual appropriations would be.

Spending in the first quarter must continue at about the same rate as the year before until the Budget is released.

In 1978-79, Government spending increased 21 per cent so it is not surprising that spending in the June quarter was increasing at a rate of 16 per cent.

But the rate of increase in the June quarter will have to slow substantially if the Government is to achieve the rate of 12 per cent allowed for in the Budget.

And most Government departments spent below 25 per cent of their Budget appropriation during the first quarter of this year as the Table A shows. Only in the areas of administration, development of industry and education was more than a quarter of the budgeted appropriation spent during the first quarter. This rate of spending is normal for the Education department which spreads most of its spending between March and December, usually spending at a slower rate in the final quarter of the financial year.

Since the Budget was released, public servants have received a 10.4 per cent salary and wage increase back-dated to December 1978 and effective from October this year. It is unclear just how much of this increase was already built into Budget appropriations, but the small allowance for additional salary and wage expenditure in the Estimates (the publication recording Budgeted appropriations for each department or vote) suggests that it was not much.

The supplementary estimate of $400 million in the Budget is not large enough to cover additional Government spending as well as the salary and wage increase. When the supplementary estimates are voted in September, Parliament will probably vote much more than $400 million to the Government.

So the rate of spending established in the June quarter may not slow later this year. Instead of a 12 per cent increase as budgeted, the increase in Government spending for 1979-80 could be at least 16 per cent.

And while spending is likely to grow faster the Government's receipts are not likely to grow as fast as budgeted. Taxation receipts for the June quarter did increase at a slightly faster rate than was budgeted, but this reflected the introduction of new tax rates since June last year.

The full effect of the duty levied on motor spirits announced in the 1978 Budget is reflected in a 74 per cent increase in motor spirits tax between June this year and June last year. Customs, sales tax and beer duty collections are also up, partly reflecting the sales tax changes introduced May 17 this year. But when spread over a full year, the increases in these items are likely to be in line with Budget estimates.

According to the Budget, the Government expects to get most of its revenue from income taxes. The Budget estimated that income tax revenue would increase by nearly 25 per cent during 1979-80. In the June quarter, though, income tax receipts only increased by 20 per cent over last June quarter.

And as the table shows, only 15 per cent of the budgeted amount of income tax was received in the June quarter. And the income tax cuts coming into effect in October will dampen the rate of growth in income tax revenue.

Certainly the rate of growth in personal income tax receipts does not justify an estimate as high as the Budget estimate. But company tax receipts may be up this year, mainly because companies are no longer eligible for stock allowances. Still even with increased tax receipts from companies, the Government is going to need to pull some tax revenue out of a hat to collect 25 per cent more this year than last year.

Last year's increase in income tax revenue was only 5 per cent.

Another source of Government revenue is interest, profits and miscellaneous receipts from some public trading corporations. Interestingly, these were down for this June quarter.

Overall, the Government spent nearly $1660 million in the June quarter and collected $1080 million in revenue. The deficit for the quarter of $580 million compares with a deficit of $474 million for the same quarter a year earlier.

Total expenditure for the June quarter was equal to 22 per cent of the level budgeted. Last year, expenditure in the first quarter was 22 per cent of the Budget and turned out to be less than 21 per cent of actual spending for a full year. If expenditure for June this year turns out to be 21 per cent of total expenditure, government spending will be nearly $300 million above the budgeted figure of $7668 million.

year with only one quarters information. As can be seen from the chart illustrating quarterly trends in the Government's deficit since 1975, there is considerable seasonal variation in government activity.

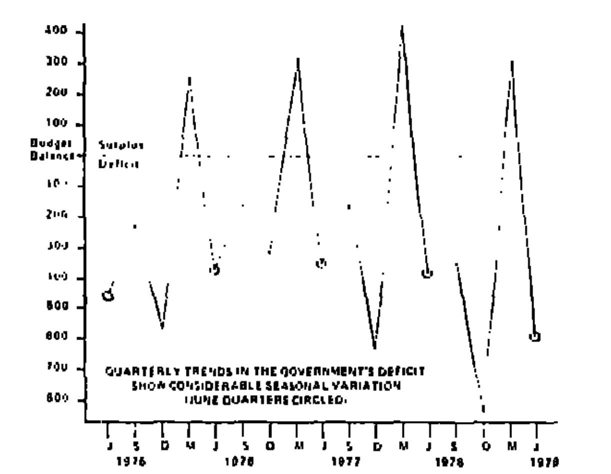
Because the Government has some flexibility over paying its bills, its spending can be managed so that payments flow evenly from the public accounts during the year — 25 per cent in the first quarter, 25 per cent in the second quarter and so on.

It is not possible to achieve an even flow of receipts into the public account because of the nature of the tax laws and Inland Revenue's methods of administering these laws. For example, the tax receipts from companies and self-employed individuals flow into the Government's coffers only during the September and March quarters.

Based on past trends though, it seems likely that the deficit for the December quarter public account will be even larger than the deficit for the June quarter. This is further evidence that the deficit for the year will grow beyond the budgeted $1090 million.

In addition, last year, the June quarter deficit of $474 million turned out to be approximately one-third the size of the annual deficit of $1446 million. If this June quarter's deficit of $580 million turns out to be the same proportion, the deficit for 1979-80 will be close to $1750 million.

This is bad news for a Government which wants to be seen to be balancing its books. But it is not necessarily bad news for the public. If Government spending is being carefully managed to ensure that Government is meeting the public's needs as cheaply as possible and if there is just enough fiscal drag effect in the tax rates to keep inflation from rising too quickly, a more expansionary Government stance may be desirable this year to keep output from falling and unemployment from rising.



PUBLIC ACCOUNTS TO JUNE

EXPENDITURE	June Quarter $ million	As per cent of Budget Estimate per cent	1979 Budget Estimates $ million
Administration	596	155	26
Foreign Relations	111	89	21
Dev of Industry	720	190	26
Education	931	260	28
Social Services	2162	169	22
Health	1010	234	23
Transport Communic.	260	38	15
Debt Services	791	111	18
Misc Financing Transactions	356	10	3
Supplementary Estimates	100	-	-
General Imprest Acct Outstanding (1)	-	73	-
A. Total Expenditure	7668	1659	22
FINANCED FROM			
Income Tax	1580	158	15
Customs, Sales Tax, Beer duty	990	190	19
Highways Tax	115	33	24
Motor Spirits Tax	192	10	22
Other Taxation	218	39	18
Total Taxation	6095	780	12
Interest, Profits, Miscellaneous	483	101	21
Trust Account, Suspense Account Outstanding (2)	-	217	-
B: Total Revenue	6578	1079	16
DEFICIT (A-B)	1090	580	-

(1) Monies spent but not yet classified by Government function.
(2) Monies collected in revenue but not yet classified by type of receipt go into the Suspense Account.

Statement stoops to confusing tangents

When the Finance Minister announces publication of the Public Account in the Gazette, he issues a press statement with two explanatory tables attached.

The two tables are very useful. One puts the account information on a Budget table 2 basis so that the Government's actual performance can be compared with what it said it intended to do in the Budget (see Table A). The other table shows the flow of funds between different accounts and within individual account items within the public accounts. It is an aid for interpreting the Public Account.

But the press releases accompanying the accounts for the last few years seem intended to confuse the public by providing descriptive information without analysis.

The latest press statement has been published here for our readers' edification. We have not published the accompanying tables in the same format, but even if we did this statement is unlikely to be any clearer.

THE Public Accounts for the three months ended June 30, 1979 were released today (August 8) by the Acting Minister of Finance the Hon H C Templeton.

The Minister said the overall balance of the Public Account is $213.2 million higher than at June 30, 1978 which represents an increase in cash and investments of $121.0 million and $122.7 million respectively and a fall in imprests of $30.5 million. The increase in the balances reflects the success of the 1979 cash loan number 2 and the loan raised in Japan in April which was initially invested overseas.

Income tax receipts rose by 19.5 per cent and total taxation receipts rose by 22.5 per cent. The budgeted increase in taxation for 1979-80 is 22.2 per cent. The full effect of the duty levied on motor spirits announced in the 1978 Budget is reflected in a 74.1 per cent increase in motor spirits tax.

Appropriated expenditure in the Consolidated Account was $274.1 million higher than for the first quarter of 1978 but this was offset in part by $44.3 million less expenditure from the Loans Account. Total net Government expenditure rose by 15.9 per cent.

In addition to the Summary of the Public Accounts for the first quarter the Minister released a statement of the source and application of funds and a statement of the financing of net Government expenditure.

Energy Ministry drys up Nationwide's chances

by John Draper

NATIONWIDE Air's independent airfreight service is on the brink of submission to the New Zealand clobbering machine.

Using two Carvair freighters, the company in various guises, struggled to get airborne in the face of officialdom and strong opposition from established freight operators, particularly the New Zealand Railways.

Now it seems victory will go to the Railways by default. The Energy Ministry's refusal to allow the operators, avgas for its two Carvair freight aircraft will see to that.

The death knell probably will be sounded in front of the Air Services Licensing Authority late this month, when Nationwide Air International Ltd seeks to extend the charter licences it claims to hold to cover a non-scheduled service between Blenheim and Wellington carrying new cars.

Hamilton-based James Aviation has also applied for a licence to operate the Carvairs. But the company's request for fuel to operate the aircraft has been rejected three times by the Government. Chairman and managing director Ossie James says he will now oppose Nationwide's bid for a licence.

For the Railways, the Energy Ministry's refusal will be particularly sweet.

Since the early 1960s Nationwide-founder, Matt Thompson has turned his entreprenurial talents to stripping business away from the Railways.

Bridging the Cook Strait and avoiding the rail ferries was to be his next conquest, setting up a totally independent freight service primarily for moving new cars from factory to showroom by truck and plane.

The planes arrived late in 1978 but the delay had cost Thompson's Haulaways group several million dollars and it went into receivership last December.

Nationwide Air Ltd, formed by the takeover of two existing airlines, Air North and Akarana Air, foundered not long after.

But another Thompson company with the former owner of Air North, Christchurch solicitor John Rutherford, and others, formed Nationwide Air International to lease the Carvairs from the Luxembourg-based Bank of Credit and Commerce International.

The planes, converted DC4s, flew through February, March and April before liquidity problems brought the fledgling airline crashing down again.

But not before it had extended the Wellington-Blenheim service to include a nightly Wellington-Christchurch-Auckland and return service specialising in bulky lightweight cargoes.

Rutherford claims there was a backlog of three weeks' cargo waiting in Auckland to be flown south when services were suspended in April.

One aircraft needed a new engine. The other was already grounded for a 1000-hour overhaul requiring recertification by the Transport Ministry Civil Aviation Division.

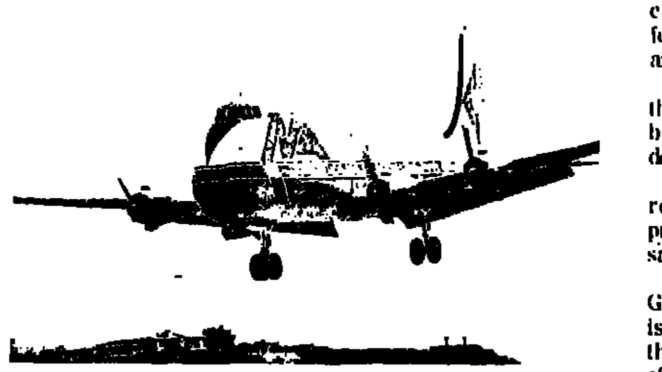
In May, Nationwide's lease on the aircraft expired and was not renewed. The Bank of Commerce and Credit International made it known that it wanted to sell the planes, not lease them. The price: $800,000.

Rutherford blames James for the high price, which was beyond Nationwide. The company was on the brink of insolvency again.

James expressed an interest in Nationwide's operations, but was rebuffed by the directors.

When Nationwide's lease on the Carvairs expired, he began negotiating with the bank's agent in Auckland.

James went as far as lodging an application to operate the aircraft with the Air Services Licencing Authority. It is now unlikely to proceed unless James can use the influence of the oil companies to change the Government's mind.



CARVAIR FREIGHTER . . . comes in for a permanent landing

Since the Carvairs arrived, avgas has rocketed in price world-wide and New Zealand supplies have been running low.

Although there are now 10 months supply in the country, the Government has imposed restrictions on use. All commercial operators are restricted to 90 per cent of last year's use and new licence applications are not being accepted.

James argues that the Carvairs already have a history of avgas use in New Zealand, and that changing the ownership should not make any difference to allocation.

"If we cannot get fuel, there is nothing we can do," James said.

"The great New Zealand clobbering machine has at last found a way to ground these aircraft."

James says he is angry that the decision apparently had been taken behind closed doors.

"I feel that this is the use of regulations to arbitrarily protect existing operators," he said.

And at the last meeting with Government officials on the issue, James says he was told that the Railways already offered a service which could be used by Nationwide Transport (Autos) Ltd.

Rutherford remains optimistic that Nationwide Air can be revived. He and an Auckland director are seeking to buy one of the Carvairs to operate strictly between Blenheim and Wellington with a view to buying the second aircraft and reinstating the Christchurch-Auckland service at a later date.

If that deal falls through, Rutherford says Nationwide has an option on a [illegible] Carvair and overseas [illegible] can be arranged.

But the company [illegible] rather avoid the extra [illegible] and delay involved.

Rutherford claims that [illegible] company cannot be [illegible] fuel.

"Avgas is available for [illegible] Air North and Akarana [illegible] licences which Nationwide holds. And the Carvairs [illegible] flying long before the regulations came into effect," he said.

But the Energy Ministry [illegible] told the company that there will be no fuel for the Carvairs.

It is understood that Nationwide has the option [illegible] 10,000 tonnes of avgas from [illegible] overseas source. But [illegible]portation would create a [illegible] set of problems.

Undaunted, Rutherford expects the Air Services Licencing Authority to [illegible] Nationwide Air International's application for non-scheduled operators licence to go [illegible] next Tuesday.

McLay skips through a court restructuring

by Jack Hodder

IT IS now nearly three years since the Royal Commission on the Courts was set up under the chairmanship of Mr Justice Beattie and more than one year since its 440-page report was completed.

Justice Minister Jim McLay has celebrated the report's first anniversary by releasing a 37-page paper entitled "A New Court Structure For New Zealand". This document sets out various Government decisions resulting from an evaluation of the Royal Commission's report.

Because the Minister's paper is concerned primarily with "restructuring" the courts, it may be approached by considering the present court hierarchy, beginning at the top.

The Privy Council: No change.

The highest court of the land is actually in England: the Judicial Committee of the Privy Council.

There has been a longstanding debate on whether New Zealand should continue to allow appeals to a non-resident court (Australia and Canada have both abolished appeals to the Privy Council). The Royal Commission sidestepped the issue to some extent, but did recommend that there be no abolition until such time as an expanded Court of Appeal comprising five permanent appellate judges was firmly established.

The Minister has virtually nothing to say about this subject. Nor does he respond to the commission's recommendation for abolition of the present monetary limit on such appeals.

Given current discussion of closer ties with Australia, the Minister may well have his department working on the long-term possibilities of a Tasman or Pacific court of final appeal.

The Court of Appeal: One more judge.

The present Court of Appeal consists of four permanent appellate judges, the Chief Justice (by virtue of his office) and Supreme Court judges who sit temporarily as required.

The immensely lengthy JBL appeals forced a legislative amendment (due to expire later this year) permitting the court to sit in two divisions.

The Minister has accepted the commission recommendations for the appointment of one further permanent appellate judge, the continuation of the divisions, and the use of a Supreme Court judge on criminal (but not civil) appeals.

The legal profession, at least, can now happily speculate on the likely new appointee.

The commission recommended that Court of Appeal judges normally be appointed from among experienced Supreme Court judges. The Minister's report is silent on the point.

The Supreme Court: New name — less work.

The Supreme Court is to be renamed the High Court, in accordance with the commission recommendation. There is no compelling reason for this and it raises the suspicion that the change in name is to give the impression that radical changes are taking place.

Such an impression would be distinctly misleading. As well as losing its name, the Supreme Court is to lose a large chunk of its jurisdiction. The size of civil claims which may be dealt with in the lower courts is to be substantially increased (up to $12,000) effective from early 1980.

Family proceedings are to be dealt with by a new court. And at some future date, when the court building programme has advanced, the lower courts will have an increased criminal jurisdiction.

In the meantime, a further appointment to the Supreme Court is to be made "shortly".

In the long-term, the Minister suggests, the number of superior court judges may decline.

One feature of the Royal Commission's report of special interest to the business community was the suggestion of special procedures for commercial cases. The Minister is not very enthusiastic and the idea is consigned to the "further study required" category.

On the other hand, some useful changes to the Code of Civil Procedure allowing for better supervision of lengthy proceedings are mentioned in the Minister's paper.

Hopefully of less relevance to the business community is the proposed amendment to the Crimes Act which will have the effect of enabling complex criminal fraud cases to be dealt with by a superior court judge sitting without a jury.

The Magistrate's Court: New name — more work.

The Magistrate's Court is also to be renamed — for equally obscure reasons — as the District Court. The jurisdiction of this court is to be substantially enlarged in the civil and criminal areas, as mentioned above.

But before then, 24 small Magistrate's Courts, including Matamata, and Motueka, will be closed immediately. This move is undoubtedly politically the most difficult of those foreshadowed in the Minister's paper.

The Minister has also accepted the commission recommendation on the creation of an entirely new position, that of Chief District Judge, with responsibility for efficient utilisation of District Court judges.

Here again there is scope for idle speculation on the likely appointee, presumably to come from the ranks of experienced magistrates.

Family Court:

Perhaps the most fundamental change recommended by the Royal Commission was the transfer of jurisdiction over family proceedings (separation, divorce, custody, adoption etc) to a division of the District Courts, manned by selected District Court judges only and located away from other courts, to be known as Family Courts.

In speeches given earlier this year, the Minister warned of the great expense such a move would involve and seemed to be reducing expectations of its implementation.

But the Minister's new paper contains a clear commitment to the establishment of Family Courts (without giving any significant details) and the introduction of legislation this year.

One result of this is likely to be the rewriting of parts of the Family Proceedings Bill introduced at the end of last year's Parliamentary session.

Small Claims Tribunals: Slowly does it.

The Minister's paper promises extension of Small Claims Tribunals (as a division of the District Courts) "progressively ... to all centres where there is a need". However, the commission recommendation for public tribunal sittings and its observation that the presiding referees would normally be experienced lawyers are rebuffed.

It is worth noting also that the Minister is to introduce a Law Practitioners Bill into the House this session for recess study. That will provide a rare opportunity for a close look at the services provided by the legal profession.

Among the more prominent of the commission recommendations not likely to proceed, or at least not for some considerable time are the establishment of a Judicial Commission (to advise on appointments and hear complaints), the establishment of a permanent law reform commission, and the introduction of the position of master into the court system.

Then there are matters raised by the commission and not touched in the Minister's paper.

Three of these may be noted: the reduction in the judicial retiring age from 72 to 65 years; the increasing of witnesses' and jurors' fees; and the need for a determined effort to recruit people from all minority groups to all levels of the Justice Department and to the legal profession.

The Royal Commission on the Courts produced a thorough and conservative report. The Minister has now produced a less thorough and more conservative paper. The legislative end-product is likely to be with us for a long time. We can only hope it will suffice for troubled times ahead.

Gitaway centres in travel industry dispute

by Warren Berryman

THE travel industry is rumbling with dissatisfaction over deals entered into by Air New Zealand with large tour wholesalers in a move to corner the market.

Small independent travel agents complain they are being shut out of the market by the Air New Zealand-led combines.

Large travel agencies ask why, if Air New Zealand is willing to negotiate deals, they can't deal direct with the large agencies rather than through a middleman.

Competing airlines just grit their teeth, bide their time and hope they might catch Air New Zealand in a breach of IATA regulations.

Air New Zealand's relationship with Link, the cut-rate fare discounter, is now under investigation by the Transport Ministry.

This investigation was initiated by the Travel Agents Association, TAANZ, which complained that Link was charging fares far lower than it could charge itself while remaining within the regulations. (NBR July 11, 1979).

TAANZ members criticise Link for passing on huge savings to the travelling public. But a large group of TAANZ members are involved in an arrangement that provides them with higher commissions if they deny traffic to competing airlines and channel it to Air New Zealand.

Key to this operation is Gitaway Holidays Ltd.

Gitaway, a tour wholesaler, is owned one-third each by United Travel Services, Atlantic and Pacific Travel International Ltd, and Air New Zealand Associated Companies.

United Travel Services is a tour wholesaling franchise operation with 39 member companies. Most of these members are shareholders in a holding company, United Travel Holdings. UTH members own 92 travel agencies throughout the country.

Atlantic and Pacific are 50 per cent owned by Dalgetys. It has seven offices of its own while Dalgetys Travel has 24.

Air New Zealand Associated Companies is a fully-owned subsidiary of Air New Zealand, which has 29 offices in New Zealand.

Thus Gitaway has a total of 152 offices tied up. There are some 365 travel agencies in the country.

By regulation, airlines may pay no more than 9 per cent commission on fares.

Commissions of about 10 per cent are usually paid to agents selling tour packages.

Tour packages, such as Gitaway, included air transport and land content such as hotels.

United Travel Services offers its agents an additional commission on top of its usual commission for tickets sold on Air New Zealand.

The amount of extra commission depends on how loyal an agent has been to Air New Zealand. A monthly payment of .75 per cent of all Air New Zealand revenue is paid to all its agents.

Those agents reaching United's "target figure" receive an additional ... cent on top.

The target figure is bas... the agent's Air New Ze... traffic as a percentage o... total traffic.

Thus there is a disince... for the agent to sell other... Air New Zealand flights.

United sent a "Gita... Scoresheet" to its agents ... this year urging them to ... Air New Zealand in prefer... to other airlines. This wa... Gitaway, first class ... economy fares.

The extra commission ... payable on the Gitaway ... and on the point-to-point ...

Gitaways director, ... Newbegin said the ... commission did not com... Air New Zealand. Air ... Zealand merely paid the ... cent commission to ... wholesaler, who passed ... the retail travel agent.

The extra com... Newbegin said, was p... the wholesaler's pro... wholesaler would ad... cost of the air ticke... commission, the ho... other land content, a... add on a 20 per cent ma... sell the tour to the p...

Usually the 20 pe... markup was split half a... between wholesaler an... he said. But United ... agent up to 15 per ... occasions.

Newbegin said the... afford to do this becau... business volume.

Airlines pay only 9 per... commission and ... wholesaler passes ... per cent to the re... The extra, since ... from the airlines, ... from profits on the ... tent of the packag...

But United is p... ditional commission ... to point fares on ... Zealand containing ... content.

Newbegin told NBR ... trade secret as to how ... done.

Some United retail ... have asked United ... Newbegin and Berry Fa... the extra commission ... from Air New Zealand ... have been told no.

But there is still dis... in the United camp ... agents are asking wh... can't negotiate a volu... directly with Air New Ze... and cut out the Unit... dlemen.

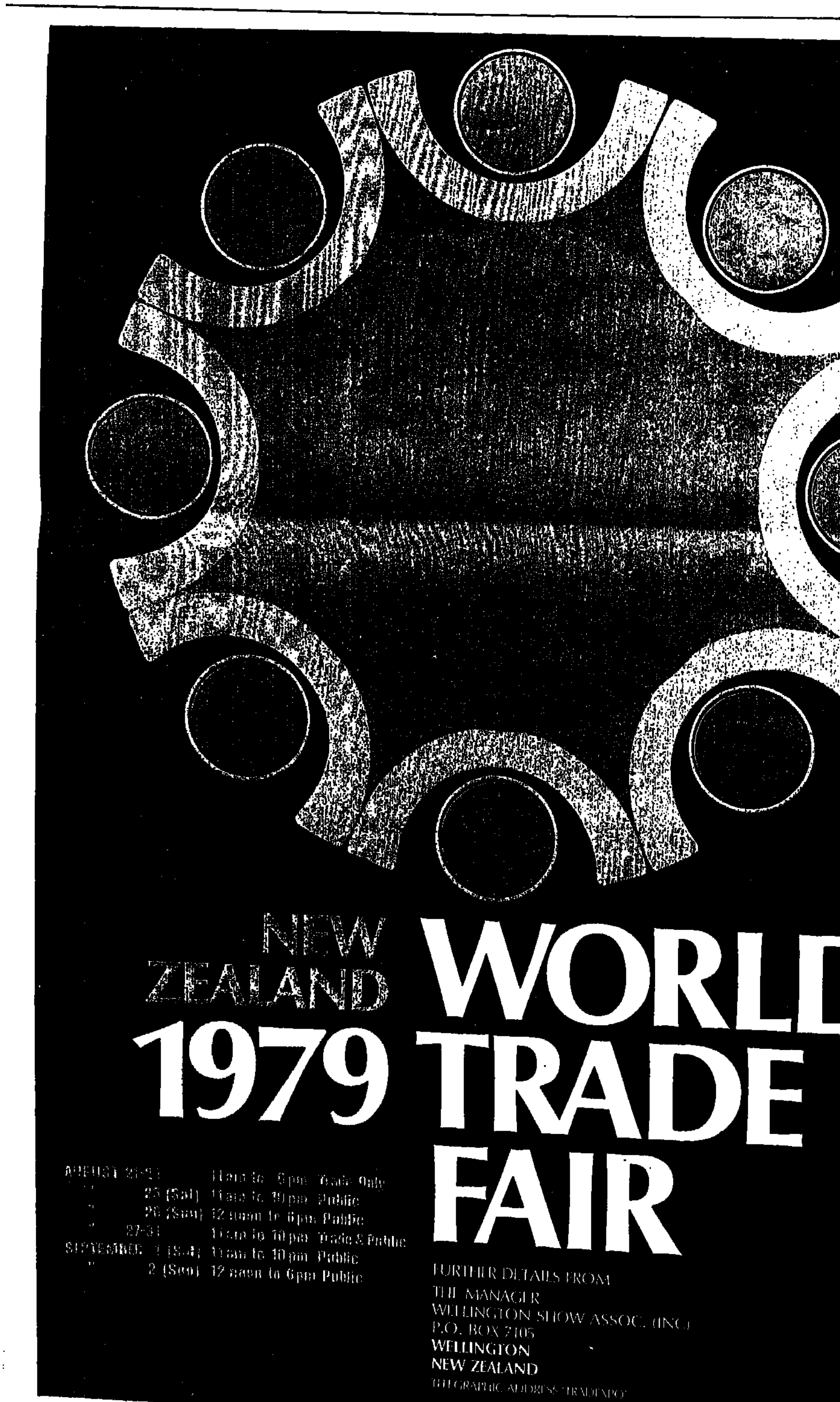
But an Air New Z... spokesman said the... paid only the 9 p... commission — no mo...

Airlines can and ... cumvent the regulati... commissions.

For example they ... up the tab for the broch... produced by the whol... Brochures and similar de... are not commissions, bu... reality these deals are ... cosmetic accounting pra... covering the real fa... airlines buy business.

There has been some ... informally among air... people that because ever... is out to buy business, no ... gaining any particular ... vantage except ... wholesalers and agents. ... are proposing that the air... should form a gentlem... agreement to stop the pra... in concert.

So far this has not ... beyond the talking stage ... is likely to proceed no ... with the present climate ... mistrust prevailing.



Clients wait on claims

THE Hauraki Gliding Club and Hauraki Aero Club — run by the same people — insured their planes through R Tether (Insurances) Ltd. Premiums of around $2\frac{1}{2}$ per cent of $52,000 worth of cover were paid.

In January this year a Cherokee aircraft crashed but Tether Insurances has not yet paid on the $15,000 claim. Tether told the club's treasurer he could not get the money from his London-based insurers, Commodore General Insurance Co. Ltd.

In reply to an inquiry from club treasurer Clifford Judd, Commodore's London office said the aero club was not insured with Commodore.

The aero club has since sought other insurers who are quoting premiums almost double those paid to Tether.

Though the clubs have been insured through Tether Insurances for four to five years, they never received a policy, just a cover note outlining the conditions of insurance.

While the clubs have taken their case to solicitors, Judd says the club is seriously disadvantaged; it is out of pocket by $15,000 and minus a plane which will be difficult to replace.

According to Judd, 208 planes may have been insured through Tether Insurances in New Zealand.

When asked for an explanation Tether claimed he was looking into Commodore.

The club has insured through Tether Insurances for two years. In that time the company paid out on some small claims.

A spokesman for the club said Tether Insurances issued a cover note but this did not give the name of the underwriter.

Case No. 2

TETHER Insurances also arranged cover for three planes for Kawerau Aviation Services at a premium of $1200 per year.

In January, a $14,000 plane crashed a few weeks after it had been purchased. Owner Guy Hedderwick received a cheque from Tether Insurances for $4000. But Hedderwick owed $10,000 to United Dominions Finance Company under a hire purchase agreement, so Tether Insurances agreed to pay that sum directly to UDC.

NBR last week sighted a letter dated April 20 from Tether Insurances agreeing to pay the $10,000 to UDC, but the cheque, drawn on R Tether (Insurances) Ltd, was returned by the bank with the words "refer to drawer".

UDC brought a bill writ against Tether (Insurances) Ltd but the company has defended the action claiming it gave UDC the cheque on the understanding it should not be banked until it notified the company that there was enough money in the bank to cover it.

UDC deny they accepted the cheque on this condition.

Hedderwick claims he asked Tether why the premiums were so low and that Tether explained that it was because he insured through an overseas company. He would not, however, name the company. He also claimed that Tether indicated he had underwriters in Hong Kong.

Hedderwick told NBR he never received a policy from Tether's company. But he did get a receipt.

UDC has asked R Tether (Insurances) Ltd for a policy number and the name of the underwriter of the insurance on the plane but had not yet had a reply when NBR enquired last week.

Case No. 3

A PLANE belonging to the Auckland Aero Club crashed in February this year. A claim for $10,000 was submitted to Tether Insurances but has not been paid.

Case No. 4

INSURANCE assessors and boat repairers and painters now claim they are out of pocket on work done in assessing and repairing nearly $6000 worth of damage done to an Auckland fishing boat.

Both owner and boat are now in Fiji.

The repairers and painters completed the work and released the boat to its owner in the belief that Tether Insurances, who insured the craft, would pay for the repairs.

Tether now claims the insurance money must go to the owner. Though this is technically correct, it has been accepted practice to pay the repair company direct.

The repairers now refuse to release insurance work until it has been paid for.

Case No. 5

NBR has tracked down similar cases involving boat repairers.

A craft built for around $65,000 foundered on its maiden voyage and its owner, a Riverton man, was killed.

Money was still owing to the builders, Nelson-based Sutherland Sea Services, which is undertaking repairs expected to cost a further $30,000.

The boat was insured through Tether Insurances.

Solicitors acting on behalf of the owner's estate, have instructed a firm of insurance assessors to quantify the damage while repairs are under way.

Tether Insurances appeared initially to accept the claim and paid $5000 for the salvage of the craft.

Solicitors said that although Tether promised a further $15,000 a few months ago, that money has not yet eventuated.

Because the repairers would not complete the repairs without progress payments, the estate had to raise the money elsewhere.

If legal proceedings eventuate, a Dunedin firm of brokers that placed the insurance business with Tether Insurances may face a claim.

Case No. 6

THE Waikato Flying School in Hamilton insured 7 planes worth $200,000 through Tether Insurances, along with buildings and other items. Premiums of around $6000 per year were paid monthly.

The school's managing director, Jack Binden, said Tether Insurances did not issue a policy, just a cover note. But Tether told the school that Commodore General were the underwriters.

Then a Cessna — covered for $30,000 — was damaged but Tether Insurances did not pay. Binden said he went to Tether who agreed in May to pay $21,000 and the flying school could take the wreckage. But no money has yet been received.

Case No. 7

SEALORDS Products Limited of Nelson insured its entire fishing fleet with Tether Insurances — an estimated $3 million worth of property.

Independent fishermen from both the Nelson and Bluff areas — many fishing for Sealords — followed the company's example and insured their craft through the same broker.

Sealords had an interest in many of these boats by way of chattel securities totalling thousands of dollars.

When two of the private boats sank and claims for $92,000 were not met, Sealords and the other boat owners changed their policies. Insurance on 100 boats has now been switched to the State Insurance Office at a cost to the boat owners of a second premium.

Sealords' managing director Charles Hufflet, said Supreme Court actions have been initiated on behalf of the fishermen involved.

Sealords is joining these parties in the actions because of its financial interests in the boats, but Hufflet told NBR three fishermen could "go under" if the claims are not met, since the loss of the boats means the loss of their livelihood.

In one action concerning a $17,000 craft owned by a Nelson fisherman, Tether Insurances refused to pay out on the claim after it sank and is defending the claim alleging incorrect statements in the proposal and subsequent breach of the policy by the owner.

While the owner claims Tether Insurances named Commodore as the underwriter, the certificate or cover note issued in lieu of a policy does not name that company and simply says that the insurance is in accordance with the authorisation granted to R Tether (Insurances) Ltd by certain companies whose names and proportions were set out in the company's (Tether's) office.

The Nelson action cites Commodore as first defendant and Tether Insurances as second defendant.

Sealords also has an interest in an action initiated by an Invercargill fisherman.

This action joins the Wellington brokering firm of Blick Nichol into the proceedings, but does not name Commodore General as a defendant.

Jim Roderique's $85,000 boat in which Sealords had a $35,000 interest sank about a year ago, but he has not been paid.

Roderique told NBR the fraud squad approached him about the case three weeks ago. He said he knew "a lot" but he could "not tell NBR anything yet".

John Nichol a partner in Blick Nichol Ltd, confirmed the firm was cited as first defendant in a claim for more than $100,000 originating from the Bluff area. This figure included loss of earnings for a period, he said.

Also named in the writ is the employee who referred the insurance to Tether's company, Tether himself and his company.

Nichol pointed out if the claim is accepted, the writ against his firm will be withdrawn, but meanwhile that firm has indicated it will defend the action.

A prominent Wellington senior lawyer, retained by insurance brokers Bowring Burgess who have arranged indemnity for Blick Nichol, is presently in London investigating the insurance contracts.

R Tether Ltd draws Commodore into local insurance lime light

by Rae Mazengarb

LITTLE was known about the Hong-Kong based Commodore General Insurance Co Ltd and its London-based agency within the New Zealand insurance industry before the troubles of R Tether (Insurances) Ltd became apparent this year.

Little is still known about the company and how it operates.

The letterhead of a letter from London reads: Commodore General Insurance Company Limited United Kingdom Liaison Office: Market Buildings, 28-29 Mincing Lane, London, England.

According to a search of the company's records in Hong Kong made by Russell Tether on March 26, 1979, Commodore was registered there on September 6, 1977, with a nominal capital of HK$8 million divided into 8 million shares of HK$1 each. Its registered office is at 403 Entertainment Building, 30 Queen's Road Central, Hong Kong.

Among the addresses listed for the registered office is 1516 Prince's Building, Hong Kong.

The last annual return made up to December 28, 1978, shows that 5 million shares have been issued subject to payment wholly in cash. The return shows also that HK$5 million has been received, including payments on application and allotment.

In New Zealand currency, the nominal capital works out at around $1.54 million and the paid up capital $.96 million.

It is understood the directors are: James W Howey (London), Len Black (Essex), Peter Low (Hong Kong); shareholders are: Venezie Nominees Ltd (2,500,000 shares) of 1516 Prince's Building Hong Kong, and Keningau Nominees Ltd (2,500,000) of 1516 Prince's Building Hong Kong.

By transfer registered on November 1, 1977, Venezie Nominees acquired those shares from Desecona Ltd at 601 Swire House and Keningau Nominees acquired shares from Seconda Ltd also at 601 Swire House, Hong Kong.

The true owners of the shares is not clear. Neither is it clear who backs Seconda or Desecona.

It is also unclear how Commodore arranges its business operations with the London company, except that the two companies are linked through a common executive, James Howey.

Commodore and Howey came under scrutiny from a (London) Sunday Times writer in November last year.

The writer stated: "It is quite possible to run what amounts to an insurance company in the city of London ... without subscribing to the minimum capital or other assorted regulations of the Department of Trade. This is done by setting up an insurance agency nominally acting on behalf of an overseas insurance company that you might happen to own — which is well known in Lime Street but less so in Whitehall.

"Take the case of Commodore Reinsurance (Management), for instance. It is run by a chap called James Howey, operates from an office in Mincing Lane .. It acts for a concern known as Commodore General Insurance Co, which is registered in Hong Kong and not entirely unconnected with the aforesaid J Howey..."

The article referred to the Australian Financial Review which in May last year stated that the liquidators of Saltergate Insurance Co were seeking the return of more than $A400,000 from its former managing director, James Howey.

This Sydney-based heavy vehicle insurer had started corporate life as Acknowledged Insurance (Australasia) in September, 1973, changed its name in October, 1975, and according to the Review "went bust" in December, 1977.

In the course of its career, it had registered losses of $A1.07 million.

The Saltergate liquidators' report commented that the debt owing by Howey was "shown as having no realisable value". It apparently arose out of Howey's assignment of $A900,000 of reinsurance debtors to the company in July, 1975, debts previously owed to a Hong Kong company he owned known as Salus Insurance Corporation.

NBR BUSINESS WEE[K]

A growth phase poses production problems

Year ended March 31	Private Capital Formation (excluding dwellings)	Increase over Previous Year per cent	Per cent Increase in CPI over previous Year	Net per cent Increase in Private Capital Formation
1973	783	19.9	6.0	13.9
1974	906	15.7	10.3	5.4
1975	1068	17.9	13.2	4.7
1976	1208	13.1	17.2	(-4.1)
1977	1424	17.9	13.7	1.2
1978	1317	(-7.5) (1)	14.6 (2)	(-22.1)
1979	1570 (3)	17.6	10.4 (2)	7.2 (4)
1980	1785 (3)	13.6	15.0 (5)	(-1.4) (4)

Provisional
(2) NZIER domestic outlay price deflator is 11 per cent 1977-78 and 12.5 per cent 1978-79.
(3) NZIER Estimate — subject to revision
(4) Subject to revision
(5) NBR estimate

by Peter V O'Brien

NEW Zealand will face production problems if the economy moves into a growth phase at the end of the next four years.

Figures for private capital formation show a deterioration, which is worse after allowance for replacement plant at higher prices than the equipment being scrapped.

By 1983-84 the country should have two points assisting growth. One is the new system of setting the value of the dollar (NBR August 8), and the other is the probable development of alternative local energy sources which will reduce the overseas deficit substantially, while (hopefully) being used in a way that manufactured exports become more price competitive and give further improvement to the balance of payments.

But industry is likely to find itself with a shortage of productive capacity after allowance for current idle capacity.

The table gives figures for fixed private capital investment in the 1970s, excluding expenditure on residential dwellings. The pattern is clear, although several explanatory points should be noted.

The "deflator" used to produce "net per cent increase in private capital formation" is the Consumer Price Index. This is a rough and ready approach, but alternatives present problems. The New Zealand Institute of Economic Research uses a price deflator when estimating movements in "domestic outlay" (private and public consumption expenditure, private and public fixed capital formation, and changes in stocks), but the institute advises that the deflator is unavailable in a time series going back to the early 1970s. There is a difference between the estimated price deflator in the institute's Quarterly Predictions and the Consumer Price Index.

For example, the figure used in the June edition is 12.5 per cent for 1978-79, while the CPI movement was 10.4 per cent. In assessing the price deflator for 1977-78 the institute used a figure of 11 per cent, but the CPI change that year was 14.6 per cent. (The General Price Index is inappropriate, because it includes "public" industries).

The table also makes no allowance for expected changes in the institute's estimates following the downturn in private capital formation in the Department of Statistics' provisional figures for 1977-78. The next edition of Quarterly Predictions should adjust the amount of $1517 million and reduce the 17.6 per cent increase shown in the table.

The assessment of 1979-80s CPI movement at 15 per cent is our calculation, based on 4.5 per cent in the June quarter, a similar increase in September, and around 3 per cent for each of the December and March quarters. On a year-to-year basis that would produce 15.8 per cent, but an allowance for a drop to 2.7 per cent in each of the final quarters gives 15 per cent, a reasonable figure for the purposes of this exercise, even if it turns out to be [illegible]

The table also disguise[s], mainly for space reasons, [the] low investment in industr[ial] plant and equipment. Referring to private capital formation in 1977-78 in its [illegible] Statement, the Department [of] Statistics said:

"The most significant [fall] was in the level of private capital formation which [fell] 10.1 per cent from $2244 mil[lion] to $2017 million. All [the] types of private capital formation recorded a de[cline]: building work put in pla[ce] 5.3 per cent, transport equipment by 28.3 per [cent] and plant, machinery [and] equipment by 8.2 per cent. [It is] estimated that investment [in] plant, machinery [and] equipment by manufacturing industries declined [illegible] cent" (NBR emphasis)

Figures in the period [illegible] 1977 for capital formation [were] distorted by the influence [of] the Maui project. If [this] expenditure were removed, percentage changes in [real] terms are much lower.

The heavy expenditure [on] "one off" items also [illegible] the figures, particularly [the] cost of vessels for the [illegible] Corporation. The [illegible] refers to an expenditure [of] [illegible] million on the "New [Zealand] Pacific" in 1978-79, [illegible] that imports of [illegible] equipment in 1978-79 [illegible] changed from the [previous] year after excluding [these] items. The institute [illegible] container vessel for the [West] Indies run will cost [between] $25 and $30 million in [illegible]

"Non-building capital formation in 1979-80 [is forecast to] increase 11 per cent" [illegible] 1979 Quarterly Predictions. The application of a 12.5 per cent deflator to that figure produces negative investment growth.

In April 1977 I examined [the] consequences of the domestic [illegible]. The comments are [still] relevant:

"In order to have economic improvement [the] country must have [the] capacity to produce the goods in the right quantities [at] the right price for [its] overseas customers. Capacity denotes capital investment, and [illegible] occurs after [illegible] investment has been made [illegible] concurrently or in advance [illegible] that investment. Consequently, the capital needed for 1980 requires capital investment in the [two] to three years before [that]. It is quite clear [that] necessary investment is [not] going to take place."

Change 1980 to 1983-84, [and] the comment, plus the figures in the table, illustrate potential bottlenecks, when and if [we] move into real economic growth.

Analysing annual accounts

by Peter V O'Brien

THE Wellington machinery and industrial equipment supplier Dalhoff & King Holdings Ltd operates a sizeable business from an unusually low financial base.

The 1979 annual report gives a proprietorship ratio (shareholders' funds to total assets) of only 29.62 per cent, down a fraction from 1978's 29.82 per cent.

Inventories at March 31 were 50.42 per cent of total asset values, compared with 59.8 per cent in the previous year.

Chairman Gordon Robb says "the stock build-up which followed the bad agricultural seasons of 1977-78 was satisfactorily cleared and inventories were within the normal range from early in the year under review".

A 50 per cent relationship between stocks and total assets would be considered abnormal in many supply companies, particularly when stocks totalling $9,777,000 at book value are compared with sales of $32.1 million. The latter figure includes the margin added to the stocks to provide gross profit.

Robb discussed Dalhoff & King's stock position in his address to the 1978 annual meeting (an address which is always extensive and informative).

"As noted in the managing director's report, there is a nine month lead time between placing of orders overseas and having equipment ready for sales in this country.

"With sales at current levels we would regard $9.5 million as the optimum total at the beginning of the 1978 spring, and this target now appears within reach.

"For companies such as yours, who have to hold and finance substantial trading stocks purchased overseas on long lead times, the problem of financing stocks will remain a difficult one as long as inflation continues at high rates."

The company has another problem with stock levels. Much of the equipment (including trucks, aircraft and agricultural machinery) is expensive, and relatively few units represent a substantial dollar investment. A minor change in market conditions can have a considerable effect on dollar values in the balance sheet at year-end.

The cost of financing stock is also high. King says interest and exchange costs per dollar of sales increased from 2.3 per cent in 1977 to 3.7 per cent last year, during a three year period of relatively level sales. The costs are eroding profitability.

Net profit before extraordinary items was $498,000 as against $597,000 in the previous year, after tax went up by $135,000 to $308,000. Net operating income before taxation (which removes the effect of the stock adjustment allowance from the 1977-78 accounts) was $704,000, compared with $807,000, but the interest bill, including payments on term loans and shorter dated debt, went from $829,000 in 1978 to $964,000 last year.

A table of term liabilities, totalling $2,089,000 at balance date, shows an interest rate of 16 per cent on $1 million (46.8 per cent of the total), and 17 per cent on another $23,000. Other term loans carry interest at amounts ranging from 9 to 13 per cent, with some rates "reviewed by lender annually".

Dalhoff & King's cash flow is low in relation to the total investment in the company. Cash flow (tax-paid profit, including cash from extraordinary items, plus depreciation) was 3.62 per cent of total assets at balance date, and 4.05 per cent in 1978. Coupled with outstanding debt of $9,790,000 (term liabilities, current portion of term liabilities, bank overdraft, bills payable and secured bills payable) they explain the company's strong reliance on outside finance.

The group may look wistfully at the happy days of 1977, when net profit was $1,077,000, before the steady decline which put 1979's figures only $69,000 above 1975, to produce the second lowest earning rate since 1974.

The sad profit story of Dalhoff and King does not extend to the format of the annual report. The company gives a breakdown of sales and service income by eight divisions over four years, a graph of sales per employee over the same period, textual comment on each division, and a useful table of comparative statistics, including a "statement of wealth created" and the distribution of wealth among various groups.

We even get a list of taxation allowances and incentives, a matter which is conspicuously absent from the accounts of many companies reviewed here.

The statement of wealth created allows a comparison of movements in the costs of materials and services purchased, remuneration of employees, and other relevant cost. The figures show that materials and services were 84.5 per cent of total revenue last year, and 86.2 per cent in 1978. But employee remuneration went from 7.4 per cent to 8.5 per cent.

The chairman's address to the annual meeting always expands the information in the report, and comments in detail on the current and future outlook. The two documents combine to produce a high standard of reporting, and one that other groups of similar size (total assets are valued at $19 million) should be able to meet. The profit may be insufficient, but at least the company tells the story "as it is".

Exchange rates

Exchange rates as at August 9, 1979.

$1NZ is worth:—

Australia	.8974	Malaysia	2.1509
Britain	.4547	Netherlands	2.0182
Canada	1.1833	New Caledonia and Tahiti	77.02
Fiji	8251	Norway	5.0403
Japan	217.68	Pakistan	9.8231
West Germany	1.8355	Papua-New Guinea	On application
USA	1.0106	Portugal	49.27
Austria	13.36	Singapore	2.1680
Belgium	29.41	South Africa	.8367
China	1.5581	Spain	66.09
Denmark	5.3012	Sri Lanka	On application
France	4.2694	Sweden	4.2379
Greece	36.52	Switzerland	1.6617
Hong Kong	5.1790	Western Samoa	8653
India	8.0649		
Italy	823.46		

Selling rates supplied by CBA Bank.

Key indicators

		Current Period	Previous Year	Percent Change
Consumers Price Index — all groups base Dec 1977 - 1000	June 79 qtr	1177	1047	+14.00
Building Permits Issued	Feb 79	$112.1m	$ 67.7m	+39.9
	Feb 79 yr	$1041.5m	$1106.7m	+ 1.2
Official Overseas Reserves	June 1979	$ 932.2m	$ 934.7m	+ 0.28
Registered Unemployed - incl those on special work schemes	July 1979	51,084	46,894	+ 8.9
NZUC Share Price Index	Aug 9, 1979	345.27	327.47	+ 5.4
Reserve Bank Share Price Index	Aug 8, 1979	1473	1388	+ 6.1

Bank structure translates loss into profit

by Peter V O'Brien

THE structure of the Rural Banking and Finance Corporation allows it to declare a profit when it makes a loss.

The corporation is involved in loan programmes at concessional rates of interest which are covered by grants from the public account. Last year the "interest recovered from the public account" was $8,673,175, according to the 1979 annual report.

The addition of the grant allowed the corporation to achieve net earnings of $5,334,137, on which it paid tax of $2,408,879, back to the public account.

This unusual method of doing business means that general government revenue subsidised the corporation for a net $3,859,838, because a final surplus of $2,405,258, (after transfers to reserves) was repaid to the public account.

The accounts in the report show how this was achieved. The corporation earned interest of $63,978,662 from the following sources: loans on mortgage, $63,077,870 ($47,639,587 in 1978); seasonal support finance $570,881, comprising $3,339,300 less $2,768,419 allocated to reserves ($80,243); housing corporation for money held $327,911 ($274,026). Total interest received in 1978 was $47,993,856.

The corporation added in $120,065 from the public account for recovery on rehabilitation loans ($146,674) and $8,553,110 for recovery on general lending ($6,863,475) to provide the total recovery of $8,673,175 ($7,010,149).

Net income from premises brought earnings to $72,773,195 ($55,148,784). Interest payable on a variety of loans, and management expenditure, cost $67,439,058 ($48,941,189) leaving the corporation with net earnings before tax of $5,334,137.

If the recovery from the public account were excluded, net "earnings" would change to a net "loss" of $3,339,038 ($655,980 in 1978), no tax would be payable, and either reserves or the public account would have to stand the difference.

Government policy causes this result. The corporation makes concessional loans in line with that policy, and would have to apply commercial interest rates, relative to its financial structure and borrowing rates, if the Government removed interest rate subsidy.

Lending Rate	Farm (per cent of Total)	Industrial (per cent of Total)	Total Farm and Industrial (per cent of Total) (1)
Under 5 per cent	0.82	Nil+	0.75
5 per cent	5.24	0.21	4.81
5.5 per cent	8.50	0.03	7.81
6 per cent	11.55	0.69	10.66
6.5 per cent	Nil+	Nil+	Nil+
7 per cent	4.41	1.51	4.18
7.5 per cent	37.69	3.37	34.88
8 per cent	0.99	1.91	1.06
8.5 per cent	25.03	5.81	23.11
Over 8.5 per cent	5.77	86.47	12.39
Total	100.00	100.00	100.00

(1) Totals do not add across due to different bases for calculating percentages.
+ Less than two decimal places.

Non-rural borrowers might find those interest rates attractive, but they receive other benefits under official policies related to their outputs. The benefits are absorbed in the national accounts each year.

Operating on a normal commercial basis, the corporation would probably make a "real" profit, but farmers and other borrowers would lose their subsidy.

Whether the loss of the interest rate subsidy in various sectors is a "good" or "bad" thing depends on one's attitude to any form of subsidy (including those paid to manufacturers) and on the eventual economic effects of paying real prices (interest) for money when inflation runs at high levels and the overall economy is stagnant.

The report refers to an important addition to the range of schemes on which concessional interest rates are available. Following the 1978 Budget, the land development encouragement loan scheme was introduced.

"This scheme was introduced in the 1978 budget with the objective of furthering development of unimproved or reverted land for pastoral and agricultural purposes. Under the scheme concessional loans are made available to assist farmers with the initial development.

"The scheme only applies to land which is to be used for pastoral, agricultural, or horticultural purposes and eligible applicants include individuals, partnerships, trusts, Maori incorporations, and companies provided they own the land or have a mortgageable interest in the land for a term of at least 15 years. A development programme must contain a minimum of 10 h... which, as a general ru... be one complete block".

The corporation pr... loans up to a maximum... a hectare to meet develo... expenses up to the sta... sowing down in perm... pasture. The corpo... received 2500 applic... between August 1, 19... March 31, 1979 and app... 1661 loans for a total... million. The report sa... result of this investme... be the developme... farmland in exces... 200,000 ha with pote... export earnings of mor... $30 million per annum".

Schemes of this type p... concessional interes... policies into persp... showing that the st... rate eventually pa... benefits in excess of it... the public purse.

The corporation's i... rates levied on borrow... rising on average, in l... the general increase i... of money and the e... repayment of loans ... the happy days of lo... The table gives a sum... investments at March:

Rising sharemarket leaves UEB behind

by Peter V O'Brien

THERE are two appropriate investment strategies in a rising market. The first is to offload stocks, if one has been lucky enough to buy in the previously downturn, particularly if it is felt that the *buoyancy will fade in the short to medium term.*

The second strategy is to look for companies which are being left behind in the surge.

UEB Industries is in the second category. The company's 50 cent shares were selling last week at 90 cents, compared with a high of 94 cents and a low of 82 cents this year.

The market has discounted the price to take account of shares to be issued for the takeover of Trans Holdings, the Christchurch-based tourist organisation. There is a division of opinion in investment circles about the wisdom of that acquisition,


INVESTOR INSIGHT

relating both to Trans' prospects and to the price paid for the company.

Irrespective of the various opinions, Trans' forward bookings for the coming season are apparently good, and may be ahead of other tourist operators. That will benefit UEB in the current year, to the extent that the Auckland group brings earnings to account after allowance for pre-acquisition profits.

UEB now has a dividend yield of 9.4 per cent, based on the 17 per cent dividend paid in respect of 1978-79. Higher net profit covered the payment 2.1 times, compared with a 1.9 cover in the previous year.

The dividend has no tax-free element, so the market adjusts the price for that fact. The price change is still low compared with other leading stocks, and the overall market improvement, because a few months ago the discount for non tax-free payments also applied, but the movement has been less than 5 per cent since April.

The price-earnings multiple is about five on the latest earnings, a relatively low figure for a leader in a rising market.

UEB has a solid stake in the local economy, thus being under the influence of present difficult times, but the group's export sales are enjoying strong growth. Overseas sales last year totalled $26.6 million, an increase of 24.3 per cent over the $21.4 million recorded in 1978.

The new system of export incentives should assist the company, through removal of the base year system, and the inclusion of many UEB products in high incentive "bands". Cartons are in band A attracting an 11.9 per cent incentive, while carpets come into band C, which carries a 9.1 per cent incentive rate, based on the fob value of export sales. An item "plastic trade containers", which could be within UEB's product range is in band B, with a 10.5 per cent incentive.

The company acknowledges "intense" competition on the local market, in spite of the economic stimulation in the second half of last year.

Tightening internal conditions later in the year may increase the competition. That will affect all companies, including those whose share prices are bouncing ahead in the present market rise.

After allowance for the share issue to takeover Trans, and for taxable dividend payments, there still seems room for UEB to have a higher market rating.

In the medium-term, the company could find overseas markets more difficult if the developing recession, particularly in the United States, gains momentum. An international downturn, combined with, and caused partly by, rising inflation rates in major economies, could put pressure on this country's manufactured exports.

The Bank for International Settlements reported last week that the EEC Statistical Office's figures for the EEC consumer price index rose 1 per cent between May and June, compared with an increase of 0.8 per cent in May. The main influence was sharp price rises in the United Kingdom, France, Italy and Denmark. At the end of June EEC prices were 9.2 per cent higher than a year earlier, a movement described: highest increase in 3... compared with a year... inflation rate of 8.8 p... May.

United States corr... claim that the recess... country is now more... months old and that... currently in the l... cent range on an a... although they conside... drop to an annual rate... 8 per cent by the e... year.

A deteriorating ... national economy ... eventually affect us a... usual time lag. The Z... dollar increase ... manufactured exports ... June, 1979 year may ... in the current ... (manufactured expo... June 1979 were $55.1 ... compared with $55.4 m... the same month of 197... that development may ... the present share... improvement artificial... allowance should be ... UEB's static position ... of share price impro...

In the longer term, ... recession bottoms out ... of 90 cents and a yield ... cent may seem ...

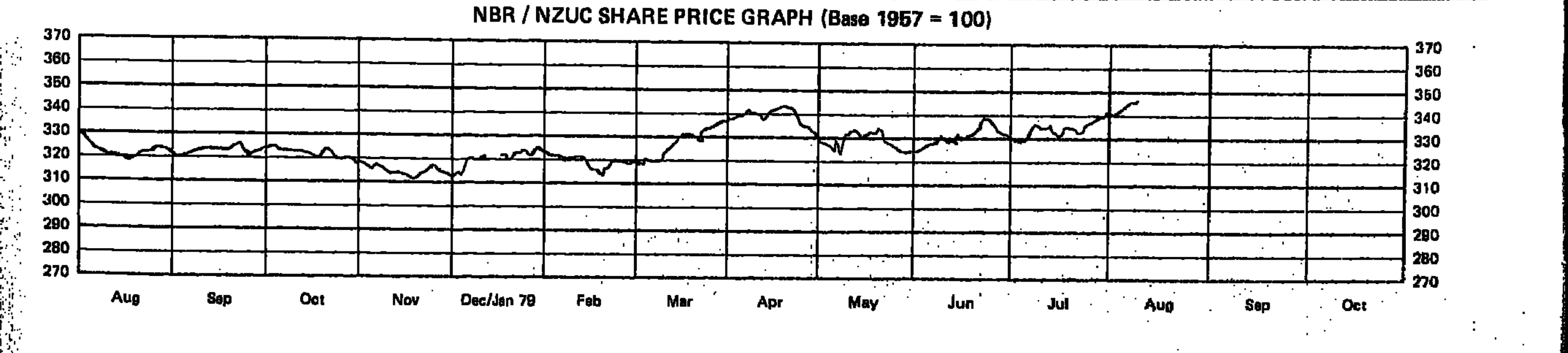
NBR SHAREMARKET SURVEY

WEEK ENDING AUGUST 1, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
111	100	AIRWORK,50C	105	105	105	12.0	900	5.7	4.2
220	130	AJAX G.K.N.	130	130	130	13.0	500	10.0	2.6
110	90	A.J.WHITE	110	...	...	11.5	0	10.5	4.8
150	105	ALCAN,50C	130	130	120	20.0	5000	7.7	4.0
255	220	A.H.I.	245	245	230	16.0	35600	6.5	5.6
76	65	ALLIANCE,50C	70	70	68	14.0	13900	10.0	3.6
280	230	ALLIED FARMERS	260	260	265	14.0	12600	5.0	6.1
153	124	ALLIED PRESS	145	...	...	11.0	0	.0	6.3
220	220	ALLOY STEEL	220	...	...	15.0	0	6.8	6.7
212	185	A.M.BISLEY, 50C	210	210	205	25.0	400	6.0	5.4
96	77	AMPOL PET.,50C	86	...	...	7.5	0	4.4	6.5
145	120	A.BEAVER	130	130	130	12.0	11100	9.2	5.5
125	105	A SPRINGHALL,	105	105	105	14.0	2500	13.3	3.4
260	245	A.WRIGHT	245	...	...	17.0	0	6.9	3.0
260	190	A.BARRETT	250	250	250	14.0	300	5.6	4.0
150	125	A.ELLIS	125	...	...	12.0	0	9.6	3.8
330	267	ARTHUR YATES	310	310	300	17.0	3700	5.5	6.6
315	275	ASHBY BERGH	275	275	275	22.5	500	8.2	4.7
215	175	A.B.CABLES	210	210	210	20.0	10500	9.5	5.4
60	49	ATLAS, 50C	53	54	53	10.5	16900	9.9	3.1
460	310	AUCK.GAS	445	445	440	13.0	1900	2.9	11.4
225	185	AURORA,50C	185	185	185	20.0	3300	5.4	5.9
		A.C.I.	198	...	...	12.5	0	6.3	7.2
90	70	AUTOCRAT HOLDS	80	80	80	8.5	1400	11.0	8.3
79	50	BAILLIE,50C	65	65	65	11.0	1000	8.5	7.3
85	72	BALLINS,50C	80	85	79	14.0	31200	8.3	5.3
450	346	BANK NSW	348	347	348	32.0	300	9.2	5.0
82	53	BEACH PETM.,50C	70	...	...	...	0	...	...
86	63	BING HARRIS, 50C	84	84	84	12.5	9900	7.4	19.5

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
190	170	J.RATTRAY	185	185	185	12.0	300	6.5	4.6
210	210	KEARNS-OATINA	210	...	...	3.0	0	1.4	25.3
89	67	L.W.RUDKIN,50C	80	80	80	14.0	136300	5.8	3.5
60	45	LANES,50C	50	50	50	11.3	7680	11.3	3.8
212	180	L.D.NATHAN	203	210	202	14.0	19000	6.9	4.5
95	75	LEYLAND,50C	95	95	95	15.0	1000	7.9	11.7
81	71	LION	76	81	75	17.5	61500	11.5	7.5
35	15	L.&N.OIL,50C	25	28	22	...	11100	...	62.5
300	255	LUSTEROID	300	300	300	20.0	100	6.7	4.7
145	112	MAINZEAL CORP,50C	140	145	140	16.0	3100	5.7	5.4
220	165	MAIR,50C	215	215	215	25.0	1900	5.6	5.4
120	100	MANAWATU,50C	105	105	105	16.0	200	7.6	5.6
185	130	MANTHEL	130	130	130	16.0	100	12.3	2.7
190	170	MARAC	172	172	172	16.0	1100	9.3	6.1
140	112	MCALPINE,50C	120	120	120	16.0	1300	6.7	2.7
166	145	MCKECHNIE	165	165	165	12.0	1600	7.3	5.2
120	61	MCKENZIES,50C	109	109	108	13.0	24800	6.0	10.0
160	125	MIDLAND	160	140	160	12.0	8300	7.5	6.9
25	12	MIN.RESOURCES,20C	18	16	18	...	9500	...	15.0
72	55	M.O'BRIEN,50C	70	70	70	10.0	700	7.1	5.6
135	113	MONTANA,50C	130	130	129	7.5	21300	2.9	7.5
380	130	M-P.E.P.	150	...	...	15.0	0	10.0	3.7
140	122	MOSGIEL	135	135	128	13.0	4500	9.6	5.5
78	50	MOTOR HOLDS.,50C	78	78	73	15.0	46700	9.6	3.0
90	73	MOTOR TRAD.,50C	80	80	78	14.0	5400	8.8	55.3
120	100	NSI CORPN,50C	120	120	120	17.0	24000	7.1	4.5
265	150	MT.COOK	200	200	200	13.0	6000	6.5	8.6
435	260	M.L.M.HOLDS.,50C	435	435	425	15.0	100	1.7	31.5
200	178	NAT.INSCE	193	199	192	27.0	10300	14.0	4.7
110	30	NAILORS	30	...	...	13.0	0	43.3	.5

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Mechanisation threat to freezing works harmony

by John Draper

MECHANISATION and manning levels are threatening to disrupt the freezing industry this year.

Beneath the convivial veneer as award talks adjourned for the second time last week lies a potential time-bomb which is quietly ticking away.

The freezing companies, already under pressure from the farming lobby and the free enterprise, de-licensing mood of Government backbenchers, wants to negotiate the introduction of mechanical dressing and a redundancy agreement.

Both issues have come up in previous award talks but have been dropped.

This time around the companies are pushing with more determination.

But the Meat Processors and Freezing Workers' Union, led by Blue Kennedy and the Freezing Workers Federation, are reluctant to discuss the matters.

Conciliation made little progress in Christchurch last week. Much of the first day was spent by the two unions discussing their relative voting powers.

The following two days were spent arguing over economic papers presented at the first conciliation round several weeks ago by the companies.

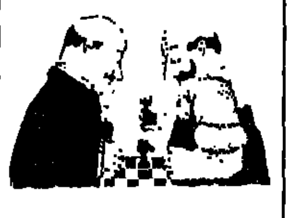
Neither side got down to the meaty issues.

The unions were reluctant to talk about redundancy, making pointless any further discussion on the introduction of mechanical dressing as a full-scale experiment on at least one chain next season.

Nor was pay openly discussed. Until the trend-setting drivers' award has been settled, all wage talks are likely to be stymied.

But the unions went into conciliation with claims for 20 per cent increase for hourly paid workers and 15 per cent on piece rates.

The freezing companies have already told the unions that manning levels will be cut on many chains this year. And



THE INDUSTRIAL FRONT

local discussions between individual companies and union branches will follow.

Numbers on the chains have steadily increased partly in response to union pressure and partly because of higher hygiene standards demanded by the European Common Market and the United States.

Typically the companies will be seeking to cut four men from a 56-man chain where some degree of mechanisation has already been introduced.

Mechanised dressing and automated freezing chambers and cool stores could see further chain numbers reduced to around 40.

But the companies claim that few workers will be made redundant. New jobs will be created in processing rooms as more meat is cut and boned before export.

The companies are also keen to retire workers at 60. Students and other people who work only for part of the season are likely to be hardest hit by the companies' plan, a point the unions are unlikely to fight staunchly.

Redundancy and early retirement are more likely to be keenly contested.

Talks should get down to serious business when they reconvene in Auckland on September 10. By then a lot of the early manoeuvering between the Government and the Federation of Labour should be over and the trends of the current wage round set.

Despite the companies' willingness to get to grips with particularly contentious issues, Meat Workers Union secretary Blue Kennedy is quick to kill any suggestion of a disruptive or delayed start to the season.

"Our guys do not go to the freezing works for a holiday, they go there to work," he said.

"We had a very harmonious season last year and we want a lot more of those. If both sides adopt a realistic approach there will be," he said.

And Kennedy pointed out that the unions were not always to blame for the disruption.

A recent Government study found that one third of the disruption in the freezing industry was due to the unions, a third to management and a third to freezing company directors, Kennedy said.

"In effect, the Government is saying the employers are responsible for two thirds of the trouble."

Nor do recent economic studies put the freezing industry in a very good light.

In a paper presented to the New Zealand branch of the Australian Economics Society, Malcolm McDougall, a former employee of the Freezing Companies Association now working for Dalgety's, found that the industry has grown inefficient.

Indices used by McDougall show decreasing returns to scale, between 1945 and 1973.

And McDougall concludes that the licensing system has had "a significant impact on the structure" of the industry.

It would appear, he says, that the overriding impact of licensing has limited any advantages competition might have had.

"The resultant effect on performance has been one indicating sub-optimal allocation of resources."

Tables used by McDougall show that productivity in terms of both labour and capital employed fell between 1945 and 1973. More re[cent] figures show the trend [con]tinuing.

Freezing companies [...] McDougall's study [...] looking deeper at the [...] taking into consideration [...] costly hygiene standards imposed by the European Economic Community, requiring hundreds of [millions] of dollars of investment [...] as more men on the [chain,] which has to be slowed down [so] each carcase can [be] elaborately inspected.

Nor, they argue, does [Mc]Dougall take into account [the] much higher percentage [of] extra processing done [now] than in the 1950s.

The companies also [...] last season as being a [...] example of efficiency wh[en] established works killed [...] early, and coped with the [...] lamb kill to the extent th[at by] March many works [were] laying off staff and c[losing] down early.

More works, specially [...] units, can only impr[ove] efficiency of estab[lished] operators who can alr[eady do] the work, it is claimed.

And as for the [...] competition, the co[mpanies] again point to last [season] where the demand [...] was so high that works around Auckland [were] prepared to pay a $3 pr[emium] on lambs from the south[ern] North Island.

With price control on [...] charges lifted and with [...] demand for lamb if an [...] deal is made with Ira[n ...] farmers may get a [...] competition they want [this] year.

And while some sect[ions of] the freezing industry [are] willing to accept [...] delicensing others [...] seems the [...] operatives are amo[ng those who] are reluctant to see the [...] knocked down.

How do you spot a person wearing insurance that fits?

His "Healthsafe" insurance is with Royal.

He recognises what disablement through an accident or illness could do to his financial security even with Accident Compensation and Social Security benefits.

Royal realise this too, that everybody's needs are different and that insurance should be flexible. Insurance that can be tailored to meet the individual's needs. Financial protection from death or permanent or partial injury; money to offset loss of income if you fall ill or need medical attention – these and other options can be consolidated into one "Healthsafe" policy.

Your premiums are no higher than absolutely necessary and your protection no less than you need.

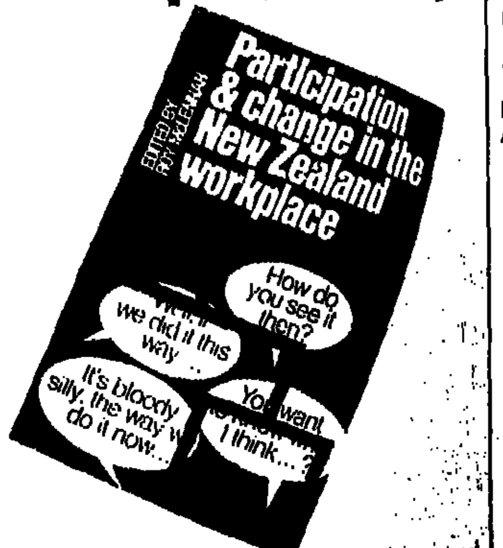
If you want insurance that fits your requirements talk to your broker, agent or Royal Insurance office about Royal "Healthsafe" Selective insurance.

Royal Insurance
Insurance that fits

Personal – Commercial – Industrial – Life

RI 1105

Participation . . . key to greater productivity



N.Z. case-studies in important new management methods

"It is imperative that we re-orient our work organization to the radically changed circumstances we face as a country."

So says Roy McLennan, senior lecturer in Business Administration at Victoria University, and editor of *Participation & Change in the New Zealand Workplace*. This important new book is intended to help New Zealanders develop insight into methods which can transform the performance of our enterprises, and the satisfaction people get out of their work.

In a highly readable introduction, McLennan explains how participation and change, or 'Organization Development', works in theory . . . then three New Zealand pilot studies show what happens in practice as well.

Participation & Change in the New Zealand Workplace published by Fourth Estate Books. Only $4.95 at all good bookshops, or direct from Fourth Estate Books, P O Box 9344, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

Estates slip away as tax revenue source

by Fraser Finlayson

THE new rates of estate and gift duties, incorporated in the Estate and Gift Duties Amendment Bill 1979, mark a quickening towards the demise of estate taxes as a revenue collector and redistributor of wealth.

The new bill makes significant changes to duties payable on lower to middle sized estates.

New levels of duty will be introduced progressively over the next three years.

- In respect of estates of persons who die after June 21, 1979, no duty will be charged on the final dutiable estates under $100,000.
- For persons who die between April 1, 1980 and March 31, 1981, no duty will be payable on estates under $150,000;
- For persons who die between April 1, 1981 to March 31, 1982, no duty will be payable on estates under $200,000.
- The final step comes into operation for deaths after April 1, 1982, when no duty will be payable on estates under $250,000.

Before Budget night this year — and since the 1976 rates were established, — estates of more than $25,000 generally were liable to duty.

If the estate or part of it was left to widows or widowers and infant children, then reliefs from duty applied. These reduced or excepted duties payable on some estates from $25,000 to $60,000.

Without considering the effect of widow-widowers' reliefs, the estate duty levels applicable since June 1976 began on a progressive scale. This started at 7 per cent of the value of the estate from $25,000 to $27,000 (requiring a duty of $140 on a $27,000 estate, for example).

The rates graduated to 20 per cent at $51,000 ($3380 duty) and continued to 30 per cent at $100,000 ($16,500 duty).

The progression continued to a top rate of 40 per cent payable on the excess over $255,000 ($72,200 duty).

The new bill abolishes the progressive scale of rates of estate duty.

It substitutes flat rates of duty, payable after the dutiable estate reaches certain levels.

From June 21, 1979, estates below $100,000 will pay no duty.

Thereafter, they will graduate over the next three years until no duty is payable on any estate under $250,000.

The new flat rates provide duty on any excess over $100,000 at 35 per cent.

This flat rate of 35 per cent remains constant up to $250,000. Then the flat rate is increased to the maximum level of 40 per cent.

The move in the new rates (together with other changes in the bill) accelerates the movement to bring the scales of duty in line with inflation.

It also suggests a new attitude to taxing deceased's assets.

From 1964 to 1969, estate duty began on the excess over $8000.

The rates increased progressively to a maximum of 40 per cent at $200,000.

The rates were altered briefly in 1969, when duty began at $12,000, and again in 1970, when duty began at $14,000.

In 1976, the rates were changed so duty began after $25,000 to progress to the maximum of 40 per cent.

A significantly new approach to estate duties was confirmed in the early 1970s.

In many estates the family home constituted the major asset.

Because inflation considerably affected house values, the minimum level where estates became dutiable ($14,000 from 1970 to 1976) meant that duty was often paid on the value of the family home in estates where no other wealth or savings existed.

An exemption from duties on the matrimonial home was introduced through the back door.

Before 1974, some relatively small benefit was obtained for town dwellers who were able to register their homes under the Joint Family Homes Act 1964.

This Act had provided limited exemption from duty.

In 1974, the Labour Government decided to totally exempt the value of homes registered as joint family homes from the dutiable estate.

For those persons unable to register their homes as joint family homes, the change was unfair and discriminatory.

Farmers and multi-dwelling house-owners usually could not qualify.

The Muldoon Government introduced a more widely encompassing "matrimonial home allowance" in 1976.

This not only took all matrimonial homes out of calculation of the dutiable estate. It also created a "notional" home, where the matrimonial home did not pass to the surviving spouse.

But the matrimonial home allowance operates only where there is a surviving widow or widower who is a beneficiary.

Significantly, the new Bill retains the matrimonial home allowance so the home does not form part of the value of the estate for calculation of duty at the new rates.

The retention of this allowance considerably extends the size of the non-dutiable estate.

If a deceased dies today and has assets totalling $170,000 which includes a matrimonial home of $70,000, no estate duty is payable.

If no widow or widower survives, then the house is added to the value of the dutiable estate in the normal way and duty (new rates) of $24,500 is payable.

Before June 1979, however, the duty would have been $39,900. The new Bill gives a saving of 38.6 per cent.

The new Bill removes the special widow-widower and infant children relief.

Previously, the widow's relief provided relief from duties in estates up to $60,000 where the estate was left to the surviving spouse.

Using the widow's relief in an estate of $150,000 (matrimonial home worth $50,000), estate duty of $2600 previously would have been paid on the $100,000 dutiable estate.

Today no duty is payable. The Bill creates greater savings in duty where the assets pass on the death of a surviving spouse, and where previously the widow's exemption was lost.

This is a usual pattern in smaller to moderate-sized estates. Duties then commenced after $25,000.

The reduction of duty payable when the surviving spouse dies is now considerable.

For example, in an estate of $150,000 (including a house now without any matrimonial home allowance), duty on this estate at pre-1979 rates would have been $32,750.

Under the new flat rate, duty at 35 per cent on $50,000 is $17,500. This means a saving of $15,250 duty, or 53.4 per cent.

From 1982, all estates below $250,000 will be totally exempt. The matrimonial home allowance will extend this further.

Only the relatively wealthy (relative, perhaps, to one's own estate) will be affected by death duties.

But even the relatively wealthy will benefit. For example, from 1982 duty on an estate of $1 million will be $300,000.

Duty on such an estate previously would have been $370,200, which represents a saving of $70,200 or 24 per cent.

From 1982, therefore, estate duties and estate planning will become a concern only for the relatively wealthy.

Another change in the gift duty rates contained in the Bill will allow annual gifts up to $15,000 (previously $8000) without payment of gift-duties.

This will enable the wealthy to divest themselves of their wealth during their lifetime at a greater rate if they find themselves in any danger of paying estate duties.

No longer will insurance companies be able to justify the sale of large policies to create ready moneys for the payment of estate duties.

Only the negligently wealthy should pay significant estate duties after 1982.

Whether the new rates will appear as attractive in 1982 — specially having regard to the inflationary effect on farm properties, — and whether the new rates will be re-considered again in the near future is a matter of conjecture.

But, with some estate planning, the wealthy should avoid estate duties altogether.

Perhaps still the most effective estate plan for the wealthy is to remove themselves and their assets to Queensland, where estate duties have been totally abolished.

CHANGING YOUR COMPUTER PROGRAMME?

The Situation
Your computer programmes continually require change because your markets or your procedures change. Your volumes increase and the system becomes strained.

The Problem
Changing programmes is the bane of every programmer's life. Dissatisfaction leads to delays and errors.

Documentation— A Partial Solution
Better documented programmes are more quickly and more easily changed. Commercial Computing can supply people to document your systems.

Expert Staff
Commercial Computing have expert programmers available right now to bring your programmes up to date. Use of our programmers could free your own staff for development of new systems.

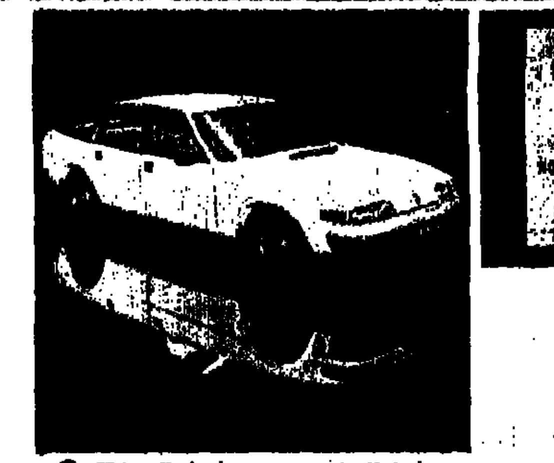
Charges
An hourly rate, a fixed quote or a monthly fee on a per statement basis.

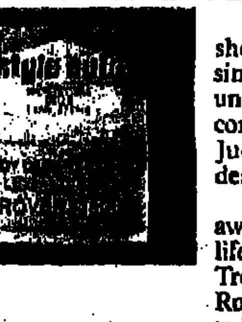
Priority
You set the priority for each situation and we react accordingly.

For further information contact:

COMMERCIAL COMPUTING LIMITED
40 Hobson Street
Box 11085
Wellington

Telephones:
Wellington......726011
Auckland.......774848
Hamilton........84131





The Rover design team believed they should avoid over-complication, simplifying all design elements to achieve a unique style and elegance. Their design concept won Rover the Style Auto Award. Judged by a panel of leading European car designers.

One of four coveted international awards won by Rover in the first year of its life. The AA Gold Medal. The Don Safety Trophy. The European Car of the Year. Rover is the motor car designed to meet today's challenges of fuel conservation with a powerful V8 engine giving around 25 mpg under normal driving conditions. Never before has a new car been so highly prized.

New Zealand Motor Corporation Limited LMVD

NZ 195 B

ROVER
New dimensions in driving technology

Agency bills go public

MEMBERS of the Association of Accredited Advertising Agencies of New Zealand make full and detailed returns each year of turnover, revenue and expenses to the association so that it can chart the progress of the industry and provide useful guidelines to its members.

By using an independent accountancy service the confidentiality of the individual returns is immaculately preserved.

Such reticence about domestic finances is characteristic of New Zealand business and traditional in the agency field. So effective is the mind-your-own business syndrome that outsiders have been guessing at the turnover of some long-established agencies for half-a-century and are none the wiser.

But slowly, times seem to be changing. An increasing number of important agencies are declaring statistical information, not just to their neighbours, but to the whole advertising world.

Advertising Age, that American giant among advertising magazines, goes to considerable lengths each year to ascertain billings (turnover) and gross income (revenue) figures from agencies all around the world and compiles tables for world rankings, United States domestic rankings and listings for 50 countries from Argentina to Zambia (where McCann-Erickson provided the only return.)

Additionally, it publishes the media breakdown of billings supplied by the agency staff numbers and accounts gained and lost.

The tables for 1978 were published in April and there are 11 agencies in the New Zealand section. This may be a small proportion of the total number of accredited agencies (and there are some notable absentees such as Charles Haines, J Ilott, and Carlton-Carruthers) but it is not unimpressive compared with Australia's 25 and it does contain some important agency names.

There was a time when listings were made by Advertising Age in order of billings. But when billings exceed the size of New Zealand's budget deficit (Japan's Dentsu billed well over US$2000 million in 1978) the figures become clumsy and AA opts for "gross income" as a better indicator. Here, we generally take billings or turnover figures as the prime size measure.

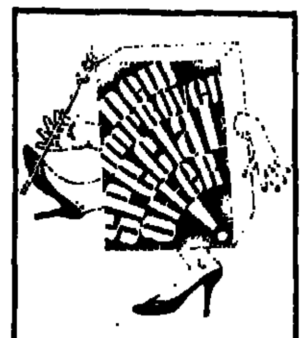
Of the 11 agencies making returns, five recorded billings in excess of $5 million and one more was in fingertip distance.

Largest was Colenso with J Inglis Wright joining it in the seven figure class followed by Dormer Beck Stuart Wearn, Dobbs Wiggins McCann Erickson, Ogilvy & Mather.

Four of these had resulting revenues in excess of $1 million with the top agency passing the $2.5 million mark.

But there are important qualifications and reservations to be observed before any conclusions on the current state of play can be drawn.

Mosius was teetering on the brink of the million dollar earnings mark. Dormer Beck's figures preceded its merger with Campaign which will put the new Dormer Beck Campaign agency into a higher turnover bracket.



Inglis Wright's figure did not include sister shop USP Needham with a $250,000 income figure.

Dobbs Wiggins McCann Erickson did not return income figures but on turnover would be well into the millionaire income class.

And SSCB :Lintas which was listed as having close to a $750,000 gross income figure stood on its own in 1978 but with DWME is now allied to the world's largest agency conglomerate — Interpublic.

To provide further scope for conjecture, returns are required to be presented for the calendar year, cutting across the traditional fiscal year balance date.

Consequently most of the figures quoted are estimated and this is supported by the fact that the income figure bears a neatly exact 20 per cent relationship to the billings figure in five out of the 11 returns.

But some agencies are not happy in the varying treatment that agencies use in presentation. Advertising Age asks agencies to "gross up" the fees for creative and other services which effectively means multiplying them by a factor of five.

Some do and some don't. And this makes for discrepancies. One agency says, "It distorts the picture. Unless all agencies follow the same method in future, we doubt if we will continue to supply returns."

This annual revelation rather resembles one of these international golden mile events.

We await the result with a great deal of excitement but also with a great deal of frustration if Walker or Bayi are non-starters. We'll never know if they are still as good as they were.

One of the values of such international returns is the opportunity to get some perspective on our own industry.

New Zealand's top billing agencies would not be dwarfed in the United Kingdom scene and could be in the top dozen in Canada which has seven times our population.

In a separately compiled table comparing advertising expenditure per capita, New Zealand shows at less than half the Australian figure.

But Australia is up there with the Netherlands and Scandinavian countries and only the United States looking down on them from the advertising stratosphere.

Nevertheless, with just on $US40 per capita expenditure, we are on a par with United Kingdom and — surprise — Japan and way ahead of most Central and South American, African, Middle East and Asian countries.

In one way, the amount of advertising employed in the economy of a country is a measure of the material comforts being offered to its people. On those grounds, even advertising's opponents should not want to see it decline. Ethiopa's advertising bill is three cents per inhabitant.

Zeal pushes into print

SEVERAL New Zealand agencies are in the publishing business. With commendable zeal they issue house news sheets containing comment, opinion and industry information for the benefit of their clients and those other advertisers who one day may be. From time to time Admark uses and acknowledges material which stems from these sources and merits wider circulation. From recent issues we reprint:

"One of the real advantages of print advertising is the self-evident proof of appearance; the piece of paper imprinted with your advertisement bears silent witness to the fact that your advertising was there, to be seen and absorbed or ignored.

"Not so the electronic media. Radio beams out its commercial messages, a maximum 18 minutes an hour, up to 24 hours a day, 6 days a week, without monitoring, without proof. And as for television...!

"Monitoring services exist, although their accuracy is sometimes in question (and no wonder, if those monitors are obliged to sit at home all day watching television!) but the cost of such services is beyond the reach of all but the largest advertisers.

"An advertising campaign cannot be effective if its message is lost or garbled in transmission; the advertiser has the right to know if extraneous factors are hindering effective communication. And, in the final analysis the medium must provide that knowledge; or eventually stunt its future growth."

From bulletin issued by KBR:MACKINDER, Wellington and Hastings.

"THE change in the export market development tax incentive will not surprise many people. It was widely known that the incentive was open to considerable abuse, involving such large amounts that the Government had to act.

"Although individual exporters will regret the disappearance of what was a generous benefit, most of them as well as their organisations recognise the need for the change.

"Now that only direct overseas costs will qualify and the salaries of New Zealand-domiciled employees, even if they travel a lot, are excluded, we may see an interesting development towards greater overseas representation by staffers permanently stationed there.

"There was already a move in this direction because many firms had difficulty in finding good men who were prepared to leave their families for several months of the year while travelling overseas on their firm's business.

"The alternative was for companies to send a man plus his family abroad, but becauses of the costs involved only a handful of our exporters at present operate permanent overseas offices of full-time representatives. The change in the incentive may push this up because financially it now becomes less unattractive."

From Trends issued by GOLDBERG ADVERTISING, Auckland.

"TOMORROW'S advertising will be the product of forces that exist today. Dramatic changes that have already occurred in consumers' values, in the technology of media, and in the corporate environment will make significant changes in tomorrow's advertising. Yesterday's advertising was the era of mass advertising, attempting to reach the most people with the same message the most times.

"The mass media was geared to the mass audience, reaching the lowest common denominator for the highest ratings. Advertising messages, too, were designed to maximise attention of the masses, promising something for everyone.

"Tomorrow's advertising will be aimed at smaller, demassified segments of people. The media will be demassified too, reflecting the special interests of individual consumers. Copy messages, too, will be streamlined to reach not everyone, but a few, selected consumers instead.

"Mass marketing as it is known in the past decade will become an outmoded concept displaced by the era of personalised marketing. The future is now and those who recognise the trends are benefiting already.

From advertising newsletter issued by WARD & GREY ADVERTISING, Auckland.

Confidence erosion aids lobby

by Belinda Gillespie

THE flourishing of anti-fluoride feelings despite fluoride's apparent benefits, has been analysed by the American Journal of Public Health as having several causes.

People now have a sharper awareness of political processes: "Watergate awakened the collective consciousness — erosion of public confidence in government is evident."

The assertion of individuality and freedom of choice is now being reaffirmed as a social norm, and is widely used by campaigners against fluoridation.

Environmental issues such as air and water pollution, and possible carcinogens in drinking water are now a matter of public concern.

There is an accompanying movement to alternate approaches to health care and nutrition, a trend accompanied by an element of "anti-science". The movement includes also a desire for a simplified life-style and a distrust of substances in food and water which interfere with their purity.

Finally, the reversal of previous health decisions has aroused public alarm, for example, in America cyclamates and saccharin, the artificial sweeteners which were widely used before being banned by the Food and Drug Administration, were previously thought to be harmless.

In this climate, agencies such as the American National Health Federation and its less well co-ordinated but active counterpart, the Soil Association of New Zealand emerge to increase public awareness and raise additional doubts.

GOOD HEALTHKEEPING

Part of the impetus stems from the work of American doctors D Burk and J Yiamouyiannis, whose claims that their statistical studies on cities in the United States show that fluoride causes cancer, have been influential.

Copies of their paper circulated to the Dutch Parliament in 1976, spelt the demise of a proposal by the Minister of Health to fluoridate all the drinking water in Holland. Soon after, a royal decree ended fluoridation in Rotterdam and other cities that had been treating their water for years.

Since 1973, hundreds of smaller American cities have voted against proposals to fluoridate, often after publicity campaigns linking the mineral with cancer and other diseases.

Established scientific opinion unanimously supports fluoridation, and can be summed up in a WHO statement issued in 1975: "The only sign of physiological or pathological change in lifelong users of optimally fluoridated water supplies — is that they suffer less from tooth decay."

FRESH MOUNTAIN WATER...to fluoridate or no fluoridate?

Nevertheless, the anti-fluoride movement, world-wide, has gained ground.

In the United States, the steam behind it comes from well funded, national, multi-issue organisation, [...] placed to dis[...] propaganda round the [...]

Among supporters [...] the John Birch Society, [...] the early 1970s, the [...] Press.

The most active a[nd] [ef]fective group is the [...] Health Federation [...] which is called [...] American Food a[nd] [Drug] Administration "A [...] promoters of [...] remedies, eccentric [...] and quackery".

Besides having a [...] convictions for mis[...] products with false [...] claims, the NHF [con]sistently opposed su[ch] health measures as [...] and polio vaccin[ation] [and] pasteurisation of m[ilk].

The foundation em[ployed] Yiamouyiannis, and a [...] studies and other [...] material in a succe[ssful] [Los] Angeles campaign [against] fluoride.

In 1975 he joined [Dean] Burk, producing [...] [succ]essive studies, both [...] have been severely c[riticised] by the American [National] Cancer Institute [for] failure to take a[ccount of] some of the fa[cts] [...] factors — age, sex, [...] involved in cancer [...]

In Britain, [...] Yiamouyiannis [...] circulated during [...] health authorities [...] boards, and their [...] wide public accepta[nce].

Further analyses [...] work followed, and [...] seven independe[nt] [in]vestigations by [...] medical and s[cientific] organisations had re[futed] [the] National Health Fed[eration's] cancer claims.

The New Zealand [Govern]ment has followed [...] Americans in mak[ing] [the] fluoride issue a local decision.

Water fluoridation [...] public health measure [...] many Americans [...] directly, but referenda [con]ducted by local-bodies [...] have no legal pull — the[y] [...] the nature of public [opinion] polls, and can be d[...] by the council decision [...] at the risk of their [...]

In Timaru, the [...] pressed on with [...] regardless of the [...] referendum.

Health Minister G[...] has been criticised [...] pressing his hope [...] Rotorua Council [...] reflection, reverse [...] despite the referendum [...]

But surely [...] all ought [...] that your [...]

Anti-fluoride rally gains impetus

by Belinda Gillespie

TWO cities have decided against fluoridation of their water supplies in recent weeks. In Rotorua, the council made an expensive decision to mothball equipment which has been in use for only a few months; Christchurch councillors continued to reject fluoridation in spite of medical and dental opinion that it is a public health measure par excellence.

In the first a two-part series, Belinda Gillespie looks at the moves behind the Rotorua decision, and at the activities of the anti-fluoride movement in New Zealand.

TO the 20 per cent or fewer of the population who care, fluoridation is a passionate cause. Sometimes it leads to desperate acts.

At a Plunket mothers' meeting in Greytown a few years back, a Wellington dental officer publicly poisoned herself in an attempt to disprove anti-fluoridationists' claims that fluoride was 15 times more lethal than arsenic.

Her gesture misfired. She mistakenly swallowed a two years', instead of three months' dose, and was later admitted to hospital with the symptoms of fluoride poisoning.

She denied that her act provided fuel for the opposition's fire, maintaining that the consequences in no way reflected on the safety of fluoridated water supplies.

The zealots are usually in the other camp.

New Zealand's leading campaigner is Sir Dove-Meyer Robinson, who in May of this year visited about 12 United States cities where fluoridation had been discontinued, and sponsored the visit to New Zealand of an American biochemist, J Yiamouyiannis, a joint-author of a paper linking fluoridation and cancer.

The anti-fluoride campaign in New Zealand has been given new impetus.

In Christchurch, the last of the major cities to remain unfluoridated, the city council voted against the measure on July 16. In Rotorua, fluoridation was thrown out in a 13-10 vote on July 19, only six months after the equipment had been installed.

Sir Dove-Meyer Robinson intends bringing a notice of motion at an Auckland Regional Authority meeting to halt fluoridation and in Taupo a borough council member has given a similar notice.

In Nelson the anti-fluoridation lobby is working on council members who will vote in September on whether to fluoridate.

Eighty rallied to the cause at a recent meeting called by anti-fluoridationists in Tauranga, and demanded that fluoride be removed from the water immediately.

The Health Department responds with a low-key approach of an on-going educational programme pointing out the benefits of fluoride.

"Our policy is to respond when a local body shows interest," said Mike Hollis, of the Department's dental division.

He thinks that the majority of the population is indifferent to the question of fluoridation, though there is extra interest at the moment.

This stems partly from the American fluoride-cancer claims, partly from a pro-fluoride campaign launched by the Dental Association for the International Year of the Child.

Dentists earlier this year circularised local bodies to find out whether they would introduce fluoride if the Government met the cost, and found that 26 were in favour of the move.

SIR DOVE-MEYER ROBINSON...crystallises antifluoride support.

This has drawn fire from members of the Pure Water Association. For example, Wellington's Jas Billings regards pro-fluoridationists as drug-pushers and calls fluoridation "a denial of human rights".

The anti-fluoride movement, according to Billings, is not officially co-ordinated, but groups throughout the country support each other and keep in touch.

The movement tends to crystallise around skilled campaigners such as Dove-Meyer Robinson and J Stuart-Menzies, of Tauranga, whose group was influential in the Rotorua decision.

Referenda become tool for opposing lobbies

by Belinda Gillespie

FOR the last few years the number of people drinking fluoridated water has remained static, at around 54 per cent.

Though local referenda have often gone against the initial decision to fluoridate, Rotorua is the first city to remove fluoride from its water.

The Rotorua City Council, in June of last year, decided to proceed with the scheme. Following amalgamation of the city and county councils, to form a district council, the proportion of councillors opposed to fluoridation increased.

At the first meeting of the new council, the decision was taken to hold a referendum, initially in conjunction with a by-election. But eventually the referendum was held on its own.

This seems to have ensured a low turn-out of voters (28 per cent), fluoridation being a matter of indifference to most of the population.

Those who did vote came out four to one against fluoride.

Peter Skegg, dental officer at the Rotorua District Health Office, said that many in favour of fluoridation didn't bother to turn out, believing the referendum was an opinion poll only. But it was enough to swing two councillors previously in favour of fluoride, and one of them a prime instigator in the original decision, to vote against it on July 19, when the motion was put to cease fluoridation from the end of August.

According to Skegg, the anti-fluoride campaign was "orchestrated from Tauranga," where J Stuart-Menzies, national vice-president of the Soil Association is an active and vocal opponent of fluoride.

Campaigners were active in the country rather than the city areas. The established health practitioners were hamstrung by their unwillingness to use any but the orthodox educational channels to get their message across.

Following the recommendation of the 1957 commission, that fluoridation was not an issue for a referendum, but a matter for an educated council to decide, a group of doctors and dentists formed and held meetings with councillors.

They found that the more colourful activities of the other side received better press coverage, and that the 500 words they were allotted in the local paper wasn't enough to put their case, let alone a 10 minute talk-back on radio with both sides represented.

Skegg is pessimistic about the future of fluoridation, and says there are strong stirrings against it in other North Island areas — Taupo, New Plymouth, Mount Maunganui and Tauranga — which have been fluoridated for some years.

Geoff Annan, chairman of the New Zealand Dental Association, said that the referendum situation favours the "antis" — in Greymouth and Wanganui, for example, referenda have also been lost.

The importance attached to the American cancer paper by the opponents of fluoride in Rotorua had overlooked the fact that although it had been accepted as evidence in a lower court hearing in Pennsylvania which ruled against fluoride, the ruling was later overturned in a higher court.

Annan maintains that there is some bias and emotionalism on both sides. "As a public health measure, fluoridation is probably more successful than any other. But there is a case for arguing that its imposition on all segments of the population interferes with human rights."

NEXT WEEK Belinda Gillespie looks at the muscle behind the old campaigners in the anti-fluoride lobby.

Talboys takes subtle approach to access problem

by Anthony Haas

NEW Zealand's dairy exports to Japan have doubled in the last three years — to $70 million.

But in a "state of the negotiations" report, Foreign Affairs Minister Brian Talboys says that liberalised access for dairy products is the trade issue of greatest interest to New Zealand.

In his report to the Japan Advisory Committee on his April talks in Tokyo, Talboys revealed how much more subtle is his approach to the Japanese problem, contrasting with the battering-ram approach of Prime Minister Rob Muldoon.

"The access problem is a vital one for New Zealand. But it is, I think, important to put it in a wider setting" said Talboys.

Whereas Muldoon has previously concentrated on a negotiating link between New Zealand access to the Japanese market and Japanese access to the fish in New Zealand's 200 mile exclusive economic zone, Talboys touched on it and went on to look at how New Zealand's objectives could be achieved by concerning itself with the total relationship.

Talboys says his impression is reinforced by Japanese commitments made in pivotal talks between himself and Muldoon, and the then Japanese Agriculture Minister Nkagawa, that New Zealand would win a growing market in Japan for meat and dairy products, would be honoured.

The conclusions were secret, making it hard to evaluate the ministerial claim — and the only specific volunteered by Talboys was that New Zealand believes that "when Japan needs to import butter and milk powder again, it will buy from New Zealand".

The Japanese have a problem meeting the New Zealand request — and Talboys acknowledged this in pointing up what New Zealand feels can be done by Japan.

"We accept that in the area of most interest to us, dairy products, Japan has a genuine problem at present with domestic overproduction of raw milk, and that because of this imports of butter and skim milk powder are not in prospect at present," he said.

"The Japanese Government is, though, making a real effort to grapple with this problem, through, in particular, the decision earlier this year to hold, for an unprecedented second year in succession, the guaranteed price paid to farmers for raw milk for processing.

"But as I have said many times in the past, I still believe that there is scope for the Japanese Government to make the minor adjustments to its system of protecting its farmers which would permit the access we have been seeking for relatively small quantities of livestock products."

JAPAN and NZ

Talboys said "it could be done without affecting adversely either Japanese national interests or the livelihoods of Japanese farmers".

Political barriers to access have not operated for all New Zealand's livestock exports, most of which Talboys says have grown satisfactorily.

For a long time Japan has been a major purchaser of mutton and wool

Now sales of lamb are taking off, and in total, in the nine months to March, Japan bought nearly $60 million of meat from New Zealand.

Talboys acknowledged that in the area of dairy products, "there have admittedly been no sales of butter or normal commercial sales of SMP since 1976".

But total dairy product sales to Japan last year reached nearly $70 million. They have doubled in three years.

Most important, Japan is now our biggest single market for cheese. It also takes useful quantities of "near-butters" — products which are basically dairy, but which have other ingredients added so they are not affected by quota restrictions.

Talboys said he was sure New Zealand could look forward to continued growth in this trade, particularly of cheese.

"In fact one of the most satisfactory aspects of my visit to Japan was the assurance I received from Japanese Ministers that, despite farmer pressure in response to the surplus production of milk, no further restrictions on imports of dairy products, such as cheese, are being considered," he said.

Talboys questioned whether New Zealand exporters were doing all they should to win markets in Japan for a diversified range of products.

He suggested the Japan Advisory Committee (a grouping of interested individuals from government, business and research) devote further efforts to arouse greater interest in the Japanese market on the part of New Zealand exporters.

The market must be researched more by New Zealand, the Minister said.

Japanese importers reportedly are interested in helping New Zealand to the extent of sending a top-level team to New Zealand later this year — to look at import possibilities and investment opportunities.

Talboys suggested this approach, and got a favourable reaction.

When attention shifts away from the political trade barrier issue, improvements can be spotted in the bilateral relationship — one of New Zealand's top four trading partners.

After years of negotiation, Air New Zealand and Japan Airlines are to soon start flying to each other's countries.

But the Minister made it abundantly clear that "trade does not grow in a vacuum".

"What we lack in Japan is what I might term a New Zealand constituency" he said.

This concern has led the Minister to take up the idea of a Japan-New Zealand Foundation, canvassed by the chairman of the Japan Advisory Committee and former New Zealand Ambassador to Japan, Tom Larkin.

Talboys found Japanese Ministers favourably inclined to a foundation that would make people in Japan and New Zealand more aware of each others interests and concerns.

He has asked the Japan Advisory Committee to help develop the idea.

From a recent — and in fact short — concentration on attempts to gain better access by battering at Japan's stolid front door, it seems from the Talboys line that a more low-key process of advocacy will be employed by New Zealand.

Talboys is quite frank in his reasoning.

"I believe that what we should be doing with Japan now, is trying to build up the relationship in other areas that will back up our efforts to increase our trade."

BRIAN TALBOYS ... tries soft touch.

ROB MULDOON ... battering-ram fails.

Road transport leaders face hard path ahead

LEADERS of the Road Transport Association are waiting for the balloon to go up over their handling of the biggest issue facing their industry — the controversial road user charges scheme.

A report is due to be tabled in Parliament shortly which will give the ordinary carrier little satisfaction for the gripes he's voiced consistently since the scheme was first mooted nearly two years ago.

The report is from a working party of industry and Government officials and when its contents become public, carriers will find only a few minor modifications but no changes to the basic structure of the system.

The discovery is going to react back in the faces of the top elected and appointed leaders of the Road Transport Association. And they know it only too well.

Rank and file members last year had consistently been told to cool it on drastic protest action until the teething problems of the system were known. And this year the word has been, hold off while the working party is doing its examination.

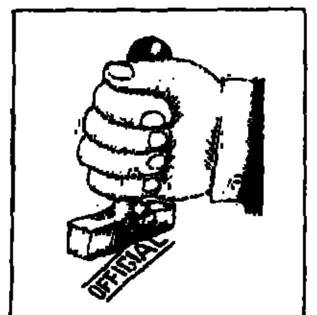
Association president Bob Martin just managed to hold off a potential riot from his members at their annual conference in Rotorua last year. Since then, the association has been forced into more provocative public postures by members demands to see the association actively opposing the scheme.

This process culminated in vice president Ian Johnson telling dissident Auckland members that the national council had plans for a truckies "convoy" while at the *same time cautioning that any protests had to be non-disruptive and legal.*

Since Johnson's speech two months ago, nothing more has been heard of these protest plans despite a cryptic comment from association executive director Bernard Gresham that no date had been set for any action.

Gresham added that the plans were being held in reserve until it was known how the Government treated the working party's report.

In November last year Transport Minister Colin McLachlan agreed to the association's request for a working party to examine how the scheme was operating. He had said earlier of the complaints about the new law: "We can't get it right the first time".



GOVERNMENT ADMINISTRATION

And so the architects of the *new scheme sat down with its* most vociferous critics and interested representatives of Federated Farmers and the Manufacturers' Federation to go through a long list of grizzles, complaints and alleged inequities of the road user charges tax system.

The carriers' complaints include:

- The use of hubodometers to measure distance (an important factor in calculating the tax take);
- Off road running, refunds and the speed with which these were processed;
- The $2 administration charge levied by the Post Office for selling carriers' distance licences;
- The requirement to buy the licences in advance;
- Paper work the scheme created for carrying firms;
- Alleged cash flow problems generated by the higher tax rates;
- The actual amount of tax collected and the use to which it was put.

To this shopping list, of changes must be added a long *standing argument over the basis on which the National* Roads Board's income would be apportioned among carriers, the private motorist and the Government.

While the working party continued its deliberations through the first half of this year, and in the words of one senior official, "the carriers' reps had a good grizzle and felt a lot better afterward", the RTA had something to hold up to their members as an indication that something tangible was being done.

And then in May, Colin McLachlan let the cat out of the bag.

In a speech to the Road Federation in Wellington he cautioned the industry to listen to its leaders and wait for the working party's report.

But he said: "We are prepared to consider any suggestions from the industry to do with the application of the road user charges scheme, with the sole proviso of course, that the suggestions put forward do not compromise the very basic and sound policy objectives sought by the Government in the scheme."

He spelt out those objectives as: giving the National Roads Board an assured income to enable forward planning; and the principle "that road tax should be related to road use and the damage imposed on the roading network, the principle of 'the greater the damage, the more the tax' ".

McLachlan said that "the aim of the working party is not to alter these principles or objectives".

But he hammered the message home by saying "the industry's representatives on the working party know and accept this".

Asked about this understanding, Gresham confirmed that was the basis on which the association was participating in the working party.

"It was the only way in which we could get the working party set up", he said.

"It was the price we had to pay".

Despite all the complaints about the scheme, NBR was told by officials involved that "we did get it pretty nearly right the first time, and this report will prove it".

That's not going to be cheering news to the association's annual conference set down for Hastings late next month.

Last year's conference was dominated by discussion on road user charges and was also marked by a heavy clamp on delegates from the top table.

Top association leaders had been warned privately not to embarrass the Government going into the election, and hints were dropped that good behaviour would get its reward (see NBR, October 4, 1978).

Delegates at this year's conference will be less inclined to accept any muffling of their claims about inept management of the issue by their association's leaders.

BOB MARTIN . . . holds off potential riot.

COLIN McLACHLAN . . . "know and accept this".

The cry — muffled at the 1978 conference but raised again in Auckland since — for some direct action will be heard again.

Once the delegates see that the manoeuvring, knots and passive tactics employed by their leaders have brought them nothing of value, it may be a lot harder to hold them this time.

Downturn exercise cuts management teams back to 98 survivors

BMG

INTERNATIONAL COMPUTERS

BUSINESS MANAGEMENT GAME

IN ASSOCIATION WITH NATIONAL BUSINESS REVIEW

OF THE 242 teams which contested the first round of the 1979 Business Management Game, 98 have survived to do battle in the next.

The team with the highest profit from the first round of decisions was R F & M W Schwartz of Tirau with a profit of $17,171,000 and a margin over the second team in its game, a central North Island timber company, of $2,949,000.

The team with the largest winning margin was a Christchurch team from a national firm of chartered accountants with a margin of $4,531,000 over its nearest rivals.

At the halfway point of the first round the game administrator, Dr Michael Jameson of International Computers (NZ) Ltd, had informed teams of a change in the economic climate with the "government" initiating moves to mop up excess liquidity and to encourage greater competition.

As the economy tightened, teams were told, loan limits would be reduced and some slowing of debtors could be expected.

Teams were also warned that while new plant could be purchased surplus plant would realise only $14 per unit in the last three decision periods.

Teams which took the hints continued to do well.

Others did not analyse the situation correctly and some disastrous losses were experienced.

"A number of teams found the deteriorating business climate unsettling," Dr Jameson said.

"They ran into serious difficulties with too much plant and, unable to generate sufficient cash, they suffered huge losses through having to undertake sales of plant in the last three periods.

"Teams which managed their cash properly and which did not overcommit themselves to large plant came through well and were still making good profits at the end.

"As a lesson in business management there were some interesting examples of what not to do.

"Some teams made the classic error, when the going got tough, of cutting their marketing expenditure and they suffered the usual results of such activities with big losses in market share.

"While some teams attempted to make profits at outrageously high prices in some of the games, in others the pricing was so cut-throat that all the teams made losses as they valiantly attempted to maintain their sales volumes."

Probably the hard luck story of the round was one team which failed to make it to the second round by a mere $9800.

They were just pipped by the North Canterbury rural syndicate of Homes & McKenzie.

The 98 teams which have qualified for the second round have now been divided up into five and four-team games again and they will have to have their first decision back to the administrator by August 24.

Game	Winning Teams	Accumulated Profit in $,000's
AUCKLAND REGION		
AA4	Aulsebrooks Ltd	7,882
AA1	E Andrews	7,405
AB2	Dulux NZ Ltd	8,833
AB4	B E Consolidated Ltd	7,625
AC3	National Chartered Accountant (Whangarei Team)	9,582
AC5	Beecham Research Labs	9,148
AD2	National Chartered Accountant (Auck Team)	10,440
AD1	Bacchus Associates	8,819
AE4	Fletcher Brownbuilt	10,192
AE3	Columbus Maritime Services Ltd	8,361
AF3	Fibremakers NZ Ltd, Team 2	12,076
AF2	Chase-NBA NZ Group Ltd	11,451
AG1	MWD Auckland	15,197
AG3	Fibremakers NZ Ltd, Team 1	14,620
AH3	Feltex Furnishing Group	11,791
AH2	Freightways Data Centre Ltd	11,693
AJ5	MSI Manufacturing	9,177
AJ3	General Foods Corp NZ Ltd	9,033
AK2	IDAPS Computer Science (NZ) Ltd	10,980
AK5	Premier Plastics Ltd	10,189
AL2	Middows Taylor Ltd	12,979
AL3	Manukau Technical Institute	11,096
AM3	Richardson-Merrell Limited	12,433
AM5	J & R Strevens Ltd	12,309
AUCKLAND & CENTRAL NORTH ISLAND		
CA1	Polychem (NZ) Ltd	8,657
CA3	NZI Finance Ltd, Team 3	8,172
CB1	CEB Industries Ltd (Papatoetoe)	15,251
CB5	MSI Corporation Ltd	12,546
CC5	Auckland Hospital Board	13,417
CC3	National Chartered Accountant (Auck Team)	10,621
CD3	AHI Plastic Moulding	10,145
CD1	Tasman Pulp & Paper, Team 3	9,907
CE3	Trigon Plastics Ltd, Team 2	15,795
CE5	Phillips Enterprises, Matamata	11,940
CF2	Autolodge, Hamilton	8,666
CF5	East Coast Fertiliser Co Ltd, Napier	7,965
CG2	Winstone Wallboards Ltd	10,006
CG1	Puketahi Holdings, Putaruru	9,268
CH3	Rangipo Syndicate, Turangi	11,306
CH4	Tasman Pulp & Paper, Team 1	10,749
CJ4	R F & M W Schwartz Ltd, Tirau	17,171
CJ5	Central Nth Is. Timber Company	14,222
CK2	MWD Turangi	14,790
CK5	J Wattie Canneries Ltd, Hastings	13,237
CL2	Treloar Enterprises, Hamilton	12,145
CL1	Acclaw, Eltham	8,179
CM2	Hastings City Council	11,012
CM1	Tasman Pulp & Paper, Team 2	10,189
WELLINGTON REGION		
WA3	BNZ, P & C Divn	10,432
WA1	AHI Plastic Film	9,231
WB2	ANZ Banking Group	9,507
WB4	Civil & Civic NZ Ltd	9,299
WC3	Wellington Chemicals Manufacturer	10,991
WC2	CMD-Toyota, Johnsonville	10,587
WD4	Ford Motor Co, Team 3	11,942
WD1	CBA Bank Ltd	10,385
WE3	Ginl Syndicate	13,232
WE2	Ford Motor Co, Team 2	11,562
WF2	Ford Motor Co, Team 4	7,086
WF3	Jewish Young Marrieds, Team 1	7,003
WG1	Ford Motor Co, Team 1	12,595
WG3	IDAPS Computer Science (NZ) Ltd	11,787
WH4	Wellington Chartered Accountant	10,684
WH1	Mobil Oil NZ Ltd	10,072
WJ3	Mansell Enterprises	12,611
WJ2	MWD, Head Office	11,880
WK5	A King & Associates, Lower Hutt	12,936
WK1	NZ Dairy Board, Team 3	11,587
WL2	Reserve Bank of NZ	10,195
WL4	George Stuart & Associates, Lower Hutt	8,689
WM3	B McCulloch & Associates	15,830
WM1	NZ Apple & Pear Marketing Board	13,605
+WN3	Dept Social Welfare, Head Office	13,183
+WN2	APCO Enterprises	11,753
WELLINGTON & SOUTH ISLAND		
SA3	BP (NZ) Ltd, O R Section	16,527
SA2	Shell Manufacturing NZ Ltd	13,779
SB3	D E Wood Syndicate, Wellington	9,366
SB4	National Chartered Accountant (Wellington Team)	8,478
+SC1	State Insurance, Head Office	8,677
+SC2	Dept Trade and Industry (Industrial Development	7,847
+SD2	Alliance Freezing Co (Southland) Ltd	16,131
+SD3	Christchurch Chartered Accountant	11,787
SE4	Downer & Co. Ltd, Dunedin	9,610
SE3	Deanes Ltd, Christchurch	8,053
SF3	Canterbury Frozen Meat Co. Ltd	13,862
SF2	National Chartered Accountant (Chch Team 1)	13,109
SG2	National Chartered Accountant (Dunedin Team 2)	9,412
SG4	Homes & McKenzie, Scargill	8,401
SH2	National Chartered Accountant (Chch Team 2)	11,399
SH1	G L Bowron & Co Ltd, Christchurch	8,867
SJ5	Christchurch Chartered Accountant	11,816
SJ2	Christchurch Wine & Spirits Merchants	8,516
SK1	National Chartered Accountant (Dunedin Team 1)	12,655
SK3	Kempthorne Prosser & Co Ltd, Dunedin	11,806
SL1	Christchurch Chartered Accountant	15,517
SL5	Fletcher Lucerne, Ashburton	11,665
SM3	Matheson International Ltd, Invercargill	11,604
SM1	National Chartered Accountant (Chch Team)	11,382

+Denotes 4 team game

Personnel Department: the buck stops here

by Heather Marshall.

DOZENS of essays have been written, speeches made and books written about the uselessness of the personnel department in industry.

How-to-succeed-in-business-authors devote humorous last chapters to the subject, mostly summing up their criticisms with the suggestion that if the department closed down, it wouldn't be noticed.

I'll go along with that, but only as long as the managers and supervisors of the other departments are prepared to take over the responsibilities that will fall to them.

As a personnel officer, I speak from experience.

A list of my duties doesn't sound arduous. But I spend only a quarter of my time on the work in my job description.

The rest of my time is spent doing duties which managers and supervisors push on to me because they are non-productive and they won't be bothered with them.

These same people are those most given to sneering at the personnel department.

No one has come up with a good definiton of personnel functions.

My own particular definition is that we're there to take the blame. My boss, the personnel manager, says we are there to do whatever the staff choose to think we should do.

In my case, then, I'm expected to do whatever 250 people expect of me.

My day begins when I get out of my car in the morning. The gardener has been hoeing the patch in front of my parking space in wait for me.

It's raining and there's a piercing wind. But he takes me to see the mess the bin contractor made of the lawn by backing on to it while turning.

A 20 centimetres trough has ruined this section of the lawn because the truck driver had to rev for five minutes to get out. It's my job to contact the firm and see it doesn't happen again.

We both know it will.

I sympathise with the gardener, admire the job he has done trimming the poplars and listen to his complaint that someone has broken into the tool shed to store some engineering gear there, and while the lock was broken someone else has stolen the motor mower.

Oh, and a hole has been cut again in the mesh fence at the back of the plant for a quick entrance and exit across a lethal railway track.

I promise again to arrange its repair. This hole is made and patched up once a week on average. I'm supposed to be able to devise a way to stop people with a more persistent bent than mine from killing themselves.

The gardener finishes his list of complaints with an account of his wife's fainting spell while going to the bathroom in the middle of the night and how the doctor wouldn't come out.

By the time I get inside, my hair is soaked and I'm shivering with cold.

On the way to my office I'm stopped by several people.

One wants to join the social club. I promise to arrange it.

Another claims to have found a mistake in his pay. Will I investigate? I will.

Yet another wants a day off tomorrow because his wife has gone to hospital and her mother can't mind the children after today. Has he any leave left and if not can he use sick leave? Do I know if he has any left?

I promise to look up his leave situation and let him know.

Someone wants a $20 advance on his wages because the garage won't let him have his car back till he's paid for the repairs and he's $20 short. He's on shift and can't get to wo[rk] without his car.

As I pass the cafeteria, th[e] manageress calls me in to s[ee] the mess the night shift le[ft]. She has not cleaned it up, ju[st] so I can see what she has to p[ut] up with.

A large pot of tea has be[en] upset on the bench and le[ft]. Someone has tried to b[oil] spaghetti in a tea pot. There['s] sugar in the ash trays and a[sh] in the sugar bowl. The cigarette dispenser has be[en] forced open again and all [the] cigarettes and money take[n].

It's up to me to see it does[n't] happen again.

By the time I reach my [office], there's a queue at th[e] door. I recognise two ne[w] employees due to start to[day] and I call up the training [of]ficer to get them started.

He hasn't arrived yet so I ask the two men to wait in [the] foyer.

There are five men a[nd] girls who want to know [if we] have vacancies. We have. I give each an applic[ation] form. I explain that I'll s[ee] each of them as soon as [it's] filled in.

One man refuses to fill in t[he] form. He wants a perso[nal] interview. I promise he will g[et] one, as soon as he's filled in t[he] form.

He says he can get a jo[b] anywhere without answering a lot of questions. I explain [he] can't get one here, without giving us a few details.

He abuses me, and goes [out] slamming the door after h[im].

Another applicant whispe[rs] to me that he can't read [or] write. Will I help ...n with th[e] form? I say I will, althoug[h I] know it won't be easy to g[et] him a job despite his g[ood] work history.

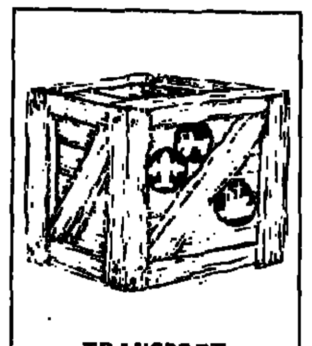
The phone rings. It's th[e] distraught mother of one of [the] girls to say her daughter [has]n't come home all night. W[ill I] give her a ring if she turns [up] at work? I promise.

A supervisor comes into [my] office, leading a terrified [...]-year-old who is clasping [his] wrist and leaving a trail [of] blood on the floor. I [drop] everything, tell the boy he isn't going to bleed to death, stop the bleeding, bundle him into a car and take him down to the hospital casualty at the hospital because our industrial nurse doesn't get to work until nine.

It's nine o'clock by the time I get back to the factory and time I got round to the real work of the personnel department.

Service competition brings doubtful benefits

by Bob Stott


TRANSPORT

CABINET's recent decision to allow Nelson-based TNL import licences for two jetfoils and spares worth $25 million highlights a problem with which the Government must grapple.

On the one hand: National Governments are supposed to pay more than lip service to the ideal of free enterprise; on the other, the present administration should be concerning itself with resource conservation.

The jetfoil, if it goes into service, will carry passengers who use either the rail ferries or air travel.

It seems unlikely that Air New Zealand would be able to cancel Wellington-Nelson services just because the jetfoil is taking some traffic away. Probably it will carry on with the same level of service — but with reduced revenue.

The rail ferries also will have to continue. This service was started mainly to provide a roll-on, roll-off railway goods wagon link across Cook Strait, with space for commercial vehicles, and passengers' cars.

It does not cost much more to also provide for carless passengers, because accommodation is already there.

In effect, the carless passengers ride on top of the load, demanding nothing in extra fuel, and little in extra investment to accommodate them.

But at the same time those passengers contribute some $1 million a year in fares ... at least $15 million in the life of a ship.

Now TNL is reported as having suggested that $12 million would be saved if replacement ferries were designed only for car passengers, with all walking passengers being taken by jetfoil.

But how will that $12 million be saved? And even if it is possible, the revenue loss of $1 million a year over the life of the ship would more than cancel out any saving.

At the same time there would have been an extra $25 million invested in the transport industry, and there would be a new service far more energy intensive than the rail ferries.

Yet the Government gave the green light to TNL — but without the traffic guarantees which that company had hoped to secure.

TNL's initiative is to be applauded, but there is much this country needs before a jetfoil. That $25 million would be better sunk into a project to produce something tangible for export rather than expensive and fuel-costly passenger-kilometres on an already well served run.

The same criticism can be levelled against efforts to get the airfreighting of motor cars off the ground again. One brave attempt has already been made to fly Carvairs across the strait, and another group is working on a proposal.

A third example is Air New Zealand's advertising which suggests that by flying, we can avoid the problems posed by carless days and weekend petrol sales bans.

To return to basics, New Zealand has enough transport. It has ample aeroplanes, ample railway lines and wagons, ample roads and trucks, buses and private cars, ample ports and ships, all of which represent a huge investment for a small country.

If we have additional services requiring additional investment, then the total sum we spend on transport must increase.

Yet the population is not increasing, nor is productivity, so the increased transport capacity will be carrying the same quantities.

There must therefore be an increase in transport costs, paid for by users or by all taxpayers, or by shareholders.

Competition in transport implies duplicated services for if the user has no choice, there is no competition.

If services are duplicated, then each duplicate service must carry not much more in total than if there was only a single service, for additional services in general do not generate extra traffic as a rule.

The benefits of competition in the service sector must therefore be regarded as doubtful. In fact in most service areas, competition just does not exist — for example in postal services, electricity and gas distribution.

Competition in productive areas is another matter — increased efficiency is a likely result, and surpluses can often be exported. But we cannot export surplus internal transport capacity.

Taking the argument one step further, in New Zealand basic transport services are to a large extent provided by the State. The railway, the airline and a fair proportion of internal shipping services are all Government enterprises, and through the Railways, the Government also has a stake in road transport. About the only absolutely essential transport services provided by the private sector are road links to areas not served by rail.

So how can the Government accept the wisdom of not duplicating transport services and at the same time foster private enterprise?

The only way is to let private enterprise take over some of the functions carried out by the State transport enterprises.

But Government employees from the highest ranks to the lowliest, show a marked reluctance to accept the idea that they might be taken over by private enterprise.

A total take-over is hardly necessary, however. The State transport undertakings could let out more work on private contract. Small trucking firms or owner-drivers could do a lot of work carried out by NZR goods lorries for instance (and Post Office trucks too for that matter). Air New Zealand might be able to make more feeder service work available to independents working on contract and so on.

But state employees could present the big stumbling block, however, the State unions could well consider the alternative.

If the Government did allow massive duplication of services, there would eventually be cuts in Government transport services following diversion of business to the newcomers, and that would lead to a diminishing of State-run transport jobs.

Energy report favours electric forklifts

AN authoritative study by energy consultants, the Beca Carter group, has favoured electrically powered forklift trucks over alternative forms of propulsion.

Electrically powered forklift trucks have a higher initial capital cost than other trucks powered by petrol, diesel or LPG, but the study found their lower operating and maintenance costs more than compensated.

The study was conducted for the country's leading battery manufacturer, Chloride Batteries NZ Ltd.

Beca Carter surveyed equipment manufacturers and suppliers, operators and hire and maintenance companies leading to "an assessment of average forklift truck operating conditions and costs".

Its calculations, using actual cost data, took into account capital cost, maintenance, fuel, overhauls, unscheduled downtime, taxation and salvage value, but excluded labour costs.

Petrol-powered forklifts are slightly cheaper than LPG vehicles, which in turn are slightly cheaper than diesel trucks. Electric forklifts are between 64 per cent and 45 per cent dearer than petrol vehicles, the price differential diminishing as the size of the truck increases.

Beca Carter surveyed three vehicle types between 1.4 and 3.2 tonne capacity.

On fuel cost LPG was the most expensive by more than 10 per cent above petrol but electricity proved to be only a seventh to a fifth of the cost of petrol-powered vehicles. Diesel was up to twice the price of electricity.

On maintenance electric vehicles were again lower cost followed by diesel, LPG and petrol. Electric vehicles incurred between 55 per cent and 60 per cent of the costs of petrol vehicles.

Beca Carter put all the figures together, discounting costs over a 15-year period.

The report concluded that the electric mode was the most economic followed by diesel, LPG and then petrol.

"When discounted, the lower capital costs of the internal combustion engine alternative do not compensate for the higher operating charges. The advantage in costs over the diesel option is about 5 per cent, and over the petrol and the LPG option about 27 per cent."

The study also took into account political and environmental factors, but these also continued — non quantitatively — to favour electric power.

Under the Government's current energy pricing policy, there is a fixed relationship between the various energy forms. Non oil forms are pegged to the price of oil and expressed as a percentage of the cost of oil.

Thus Beca Carter can conclude "it is our expectation that indigenous energy forms will retain their present relativity but that in the longer term imported fuels may show a rate of price increase greater than that of indigenous energy".

The only environmental factor considered of significance was air pollution. Petrol was regarded as unsuitable for use indoors and diesel was seen as potentially offensive and nauseating.

Investor protection

MR Sampson of the Association for the Survival of Enterprise in New Zealand dogmatically asserts that "there is only one cause of inflation — Government spending."

With the affairs of Securitibank and PSIS receiving attention in the news media when Mr Sampson was writing his letter, one would have expected him at least to demolish one explanation more than 100 years old of one cause of inflation, as, unless that explanation is demolished, there is more than one cause of inflation; and if there is more than one cause of inflation, Mr Sampson's argument is ipso facto invalidated.

Writing more than 100 years ago, H D MacLeod said: "Every loss of capital to an individual is a loss of capital to the whole community. And the general result to the community is absolutely the same, whether the loss of capital falls upon the individual or upon the bank. The capital of the nation is diminished, but the currency remains the same. Consequently, every unsuccessful operation in trade alters the proportion between the quantity of the currency and the quantity of the capital it represents; and, therefore, every unsuccessful operation necessarily tends to diminish the value of the currency, unless some means can be devised by which a quantity of currency can be removed from circulation corresponding to the loss of capital. Now, the diminution in the value of the currency inevitably shows itself in process of time by a general rise in prices. It is impossible, perhaps, to point out the precise influence in any particular transaction; but yet it makes itself felt in commercial operations by a general rise in prices . . . If the currency be made of a material which has no value whatever, like paper . . . the quantity of currency remains the same, while the debt it represents is diminished. The consequence is a general diminution in value of the whole currency."

There is a growing body of opinion that investors need some protection from the failure of those concerns in which lawyers and accountants persuade them to put their money. Macleod's comments provide an interesting argument for protecting them, not to guard those investors against loss, but to protect successful investors from the effects of inflation.

C T Reid
Papatoetoe

Figment of imagination

WE ARE surprised to note the lowering of your usual standards of accuracy in presenting as apparent fact NBR July 18 the following figment of someone's imagination:

"It seems wine escaped thanks to some hectic last-minute negotiations between the wine industry and the Government."

Possibly your editorial writers do not read their own paper: as far back as May 16, 1979 (hardly "last-minute" in relation to the Budget) NBR recorded the release of the Wine Institute's industry study and development plan, which had by then been in Government hands for some months.

In your review of the study, your preoccupation with what you interpreted as a sinister attempt to further restrict imports of overseas wine (not true, incidentally, but we concede your writers's opinions as being within the bounds of fair comment, even though somewhat off beam), you overlooked paragraphs 10.5 to 10.20 describing in detail the request and justification for a change in the method of imposing sales tax on wine.

What the institute sought from Government in the study (and in correspondence dating back at least 12 months earlier) was a change from the traditional 20 per cent tax at wholesale level on the total value of packaged wine (including the costs of cartons, bottles, corks, etc) to a specific volume tax of so much per litre. This change was supported NBR May 30 by Peter V O'Brien.

The industry study including our sales tax request, was deemed of sufficient significance to the Minister of Finance to cause him to refer these matters to the Industries Development Commission NBR July 4, again by Peter O'Brien. Having made that decision, it seems to us not unreasonable that the Minister should withhold any further action on sales tax on wine, whether in terms of our request, or in any other direction, until after receiving the report and recommendations which the IDC is required to furnish to him by June 30 next.

To suggest "hectic last minute negotiations" is not only erroneous and without foundation, it is unfair to both the government and this Institute.

T J Dunleavy
Executive Officer
WINE INSTITUTE OF NEW ZEALAND

LETTERS

Early notice rights plea

I READ with interest Belinda Gillespie's article on the spread of the L D Nathan organisation in your issue of July 25 1979. The spread of the Nathan's organisation may well lead to the development of a more efficient retail sector. It is by no means self evident however that this process would arise simply from the fact that the relative share prices were in such a situation as to make a takeover proposal both likely and acceptable.

The concern of the Shop Employees Association about the merger rests primarily with the impact on staff numbers, as it is clear that there will be some 12 to 13 store closures arising from the Nathans McKenzies merger, and this is a factor in the public interest criteria to be considered in these matters under the Commerce Act.

There is also a broader concern that in the conduct of the rationalisation process in New Zealand industry so little formal regard is had to the interests of employees. It is for this reason that we have been endeavouring to ensure that a code of practice is developed which grants some rights of early notice and negotiation to the union.

This is the context in which our call for a public inquiry into the merger must be considered. We are not simply crying "creeping monopoly" but asking for a serious social audit of proposals of this nature prior to their implementation.

Rob Campbell
Shop Employees' Industrial Association of Workers

Small business fundraising

I WAS very intrigued by the excellent article by Peter O'Brien headed "Small businesses face fundraising difficulties" but feel that this sad commentary is, otherwise, well informed members of the business community to whom small business managers may turn to for advice, fail to suggest an Institute that has been for many years covering most of the problems listed.

I am, of course, referring to the British Confirming Houses and it is a fact that many companies, which are now quite large, and have gone Public, would not have survived in their early years without the British Confirming House and the help extended in difficult times.

Of course, Confirming House money is slightly more expensive than finance from other directions, but when one considers the additional advantages offered at no extra charge it is, relatively cheap. The expertise within the British Confirming House covers adequately the majority of items listed in the "problem" list, and in my own company, placed in the medium area by small business, could help with several of the problems one would expect after nine years in International trade.

Finally, a gentle word of advice to the managers and owners of small businesses. British Confirming Houses do not expect to be asked to provide a bigger stake in a company than the owner himself, and they do expect him to back his faith in the enterprise by provision of a personal guarantee.

Plumbers win pipe rights

by Peter Isaacs

PLUMBERS LTD has acquired Pacific Basin manufacturing rights for Shell Chemical's polybutylene plumbing pipe which takes both hot and cold water.

Polybutylene is a waste product from oil refining and Shell acquired its resin patent after buying the Witco Chemical Corporation two years ago.

The new pipe is manufactured for Plumbers Ltd by Dux Engineering. Known as Qest-Dux the pipe has already been installed on a trial basis in New Zealand homes. There have also been some installations in Australia.

Plumbers Ltd agency division general manager Keith Baker said that the reception of the new pipe by local authorities has been "exceptionally good". The pipe, he said, has also been approved by the Housing Corporation and the Health Department.

As this is considered rather unusual because both central and local Government are regarded as always being extremely cautious about approving non-metal water pipes.

"There has been no resistance – it has taken the industry by storm," said Baker who believes that the new pipe offers savings of 43 percent as against copper and a one third labour saving in installation.

Plumbers is part of a three-company syndicate that has negotiated the rights to produce and distribute the pipe throughout New Zealand, Australia, the Pacific Islands and South East Asia. The other two companies who signed the contract with Qest International are CE Daniell of Masterton and Dux Engineers of Lower Hutt.

Sales agents have been appointed in all the Australian states.

Duty knocks advantage

AUSTRALIAN moulders have been given a greatly enhanced competitive stance following the Australian Government's decision to reduce the duty payable on injection moulders from 55 per cent to 15 per cent.

This is not entirely good news for New Zealand exporters who have found the high rate of duty was a substantial factor in Australian injection moulding overheads.

This huge duty on imported injection moulding machines was levied to protect the Johns group in particular.

The reduction in duty follows a recommendation by the Industries Assistance Commission.

This now makes the New Zealand duty rather higher. An injection moulder imported from Japan is liable for 32.5 per cent duty plus the 10 per cent sales tax.

Petrocorp studies PVC

A CONFIDENTIAL Government document outlining the ambitious plans of the State-owned Petrocorp leaked to the public this month contained a surprise for the plastics industry.

According to the document, Petrocorp has plans for plastics manufacturing including a PVC factory.

If this is so, then the Petrocorp would compete directly with current plans for a PVC plant by the private sector.

This plant was hotly debated several years ago. The original suggestion was for a PVC polymerising plant in the Whangarei area, but the plans surfaced at the same time as a major health scare over PVC production.

Cases of the fatal disease angio sarcoma had been traced to PVC manufacture. Subsequently, the health hazard has been isolated, and controls introduced.

A moratorium was declared on the issue however, and so the question of a PVC plant remains under consideration today.

The original proposal for the plant came from Chemby Industries in partnership with BF Goodrich.

At present the most sophisticated raw material process in New Zealand is the compounding of PVC.

Petrol ousts feedstocks

EUROPEAN plastics manufacturers appear to be facing up to the possibility of a confrontation with the major oil suppliers over naphtha.

Haus Meiner president of the Association of Plastics Manufacturers in Europe has accused the oil companies of keeping the filling stations supplied with petrol at the expense of chemical company requirements.

"Maintaining the supply of essential feedstocks to the chemical industry comes a poor second," Meiner said.

Manufacturers of plastic compete directly for supplies of light fractions of crude oil with petrol refiners, he said.

Trigon spreads its roots

TRIGON Industries, the Hamilton plastics company, has diversified into horticulture.

Trigon has entered into a joint venture with International Horticultural Enterprises to grow a range of New Zealand plants and shrubs for export to Europe and the United States.

Trigon has bought land at Hobsonville and will build a nursery there for propagating trees, shrubs, ornamentals and grasses.

Trigon and International Horticultural Enterprises will also establish a nursery at Sayhat in Saudi Arabia to grow New Zealand plants to a saleable size.

Trigon Industries managing director Bill Foreman aims to begin exporting Horticultural Products within 18 months and anticipates annual sales worth over $500,000 "within three years".

This announcement came as something of a surprise during a two-prong ceremony at Trigon at which deputy Prime Minister Brian Talboys presented the company with an Export Award, and then switched on a new three layer extruder.

More was to follow. Foreman revealed that he was buying a half share in a software company which has developed a special package for manufacturers such as Trigon.

There were also two development projects pending. Foreman said a New Zealand invented and world patented inflatable lifebelt, and a revolutionary pump which could be windmill powered.

Foreman described his programme of diversification as being "consistent with the company's proven philosophy of technology and marketing, plus strong export content".


NZ PLASTICS

Bathrooms for export

PLASTICS Specialities International of Auckland has followed up a trial shipment of bathroom fittings for Canada with additional containerloads.

The trial airfreight shipment of 200 kilos of the ABS was sent last November.

The Canadian market was developed by the Australian parent company, United Packaging which is currently trying to launch the New Zealand-made fittings on the American market.

Portfolio gains award

A WELLINGTON plastics company has been awarded a Designmark for the original design of its "pal Statesman" writing portfolio.

The company, Plastic Agencies (HF Welders) Limited, has previously been awarded two Designmarks for other products.

The portfolios have sold in both Fiji and the New Hebrides as well as New Zealand.

The product is manufactured from heavy grained padded vinyl and holds either foolscap or A4 notepads. A feature of the design is that the portfolio accommodates both left and right handed writers.

The Design Council observed that careful consideration at the design stage has eliminated too much weight and bulk while retaining maximum strength and capacity.

Study charts expansion

PINZ president Murray Calvert has welcomed the detailed study of the plastics industry which is currently getting under way.

"We are confident that as a result of the study, the Industries Development Commission will be able to chart a course for further industry expansion," Calvert told a Rotary meeting recently.

Noting that plastics is the nation's seventh largest employer, Calvert stressed that more than 10 per cent of production was exported. He said the substantial savings generated by the industry through import substitution.

He anticipated that the study would reveal "firm statistical" confirmation of "a saving which we in the Plastics Institute calculate to be some $70 million".

The institute for the past three years has been seeking firm statistical confirmation of its value as an exporter and an import substituter.

Institute members will also be hoping that the survey points up the industry's significance as an indirect exporter through supplying packaging materials for export primary products, especially added value portions and processed meat or dairy products.

There has been a feeling for some time that the industry's expertise in primary produce packaging has not been given the attention by the Government it deserves.

Award entries go on public

ENTRIES in the year's Plastics Institute Design Awards will be displayed to the Wellington Public.

The institute has arranged for all award entries to be housed in the World Trade Centre Export Court for the week beginning November 18.

PINZ Wellington branch secretary Greg Armitage said it was desirable that members of the public could see

Continued on Page 30.

the technology involved in the industry in New Zealand.

"Last year there was considerable interest in a display of entries in Auckland's Downtown centre, and we expect the same level of interest this year."

Judging from the high level of entries last year, Wellington organisers have arranged for additional display space in the Trade Centre.

Low density 'obsolete'

AHI this month introduces a new high density polythene pipe which according to AHI will make low density pipe "obsolete".

The new pipe means a cold jointing system made of reusable fittings which are applied with a wrench.

AHI will now concentrate on the new high density pipe though in the past the company has produced both high and low density.

The innovation follows AHI subsidiary Precision Plastics securing the New Zealand rights for the Polygrip system.

The pipe itself is extruded by AHI Plastic Extrusion Company. The Garnite Gold Ribbon pipes are designed for a wide range of applications including domestic, industrial, and agricultural.

Toys head for Canada

McCABE Industries of Upper Hutt has won a substantial order in Canada for its range of children's toys.

The order was won with the active assistance of the New Zealand Trade Commissioner in Vancouver, Peter Finkle.

After attending the Los Angeles Trade Fair, McCabe Industries marketing director Malcolm Mitchell sent some samples to an importer. This importer subsequently sold-off the toy side of his business, but handed them to Finkle who quickly found a toy importing house that was interested in the McCabe product line.

"He really handed us the order on a plate," Mitchell said.

Wrightcel wraps cheese

WRIGHTCEL reports "strong interest" in its new laminated export cheese wrap. The wrap has only just been approved by the Department of Agriculture and the Dairy Board for export.

Wrightcel is only the second flexible packaging company to manufacture an officially approved export cheese pack, the other is W R Grace of Porirua.

Wrightcel general manager Les Evans said that the only problem with the bag is in the shortage of raw material, a nylon-to-polythene partly imported laminate.

Evans points said the company ran the risk of stocking up with the material, only to find that the bag might not have got the seal of approval.

But now demand has outstripped available raw materials, he said. The new cheese bags are marketed for Feildingbased Wrightcel by MacEwans.

'Two island' energy policy case for a rate differential

NEW ZEALAND has a common bulk supply tariff for electricity, but should look seriously toward introducing a "two-island" energy policy for electricity, in which the markedly lower costs of generation of electricity in the South Island are reflected in different bulk supply tariffs.

The average New Zealand Electricity Department costs of electricity generation in the 1977-1978 year were North Island 1.7 cents, South Island 1.0 cents, and national average cost 1.47 cents-kWh.

These costs were obtained from data — the latest available — in the department's annual report for the year ended March 31, 1978 and the annual statistics in relation to electric power development and operation, March 31, 1978.

Costs were separated into North and South Island components by apportioning operating costs on the basis of relative proportions of total energy generation, and capital charges on the relative proportions of cost of completed works and works under construction.

The results are approximate, but not unrealistic.

The Cook Strait cable's contribution to the North Island has been included in the South Island generation.

The bulk supply tariff to electrical supply authorities in the 1977-78 year was $42.94 per kW of peak demand plus 0.89 cents per kWh of energy.

Figures from the annual statistics (Table V) enable an estimate, of the proportions of peak demand and energy, in the two islands, and so we can derive the approximate average price paid per unit of electricity.

Results are, North Island 1.5 cents kWh, South Island 1.7 cents kWh.

The national average is 1.5 cents kWh for supply authorities. If direct customers, such as Comalco, are included, the average is 1.5009 cents kWh sold.

The substantial differences in these prices are largely the result of the high proportion of peak demand relative to energy demand in the South Island, which in turn is a function of heavy demands for domestic space heating on winter evenings, and the relative lack of industry and commerce to spread the load.

Load factors (approximately) are North Island 68 per cent, South Island 49 per cent, national average 63.09 per cent.

The average tariffs charged to domestic consumers in the South Island main centres are very similar to those in the North Island main centres (domestic tariffs are in energy units only; peak demand is not part of the domestic tariff).

It therefore is clear that the extra South Island costs are being recouped from the industrial and commercial consumers, not from the domestic consumers who are the principal reason for the low load factor (albeit as an indirect result of the winters in the South Island).

This cross-subsidisation — the result of electrical supply authority pricing policies — has resulted in severe overpricing of electricity to many South Island industries and commercial operations, and puts them at a significant competitive disadvantage.

It is possible for the South Island electrical supply authorities to revise their tariff-setting procedures to remove the cross-subsidies. But the substantial increases in domestic tariffs that would result would be political suicidal for the authorities concerned.

A much better scheme would be to reduce the average price per kWh in the South Island and increase that in the North Island, so that they would be in roughly the same proportion as the average costs of generation in the two islands.

In addition, the relative contributions of peak and energy should differ. The South Island tariff would have a very much lower energy charge, reflecting the low operating costs of a hydro system,

At the same time, the North Island would have a small general tariff increase, to maintain the NZED's national revenue at the same level.

This rearrangement [illegible] reflect the moderate [illegible] charges and very [illegible] operating costs of the [illegible] Island system, and the [illegible] energy costs (including [illegible] gas and oil fuels where [illegible] for electricity generation [illegible] high capital charges [illegible] power stations typical [illegible] North Island system.

The 1977-78 national [illegible] split between capital [illegible] costs (which relate to [illegible] and operating costs [illegible] relate to energy) was [illegible] 1.4:1. But the North [illegible] ratio was approximately [illegible] and the South Island [illegible] 2.7:1.

The bulk supply tariff [illegible] describes a charging [illegible] which is relatively [illegible] tailored to the North [illegible] situation.

If the bulk supply [illegible] revised according to the [illegible] arguments, we could [illegible] an increase of about [illegible] in the North Island [illegible] price per kWh, and a [illegible] of about 27 per cent [illegible] South Island average [illegible]

This conclusion is [illegible] 1977-78 data, but the [illegible] principles of the argument [illegible] not change markedly [illegible] plied to the current [illegible]

In the South Island [illegible] postulated revised [illegible] although markedly [illegible] the energy component [illegible] therefore the average [illegible] would have a very [illegible] peak component to the [illegible] actual bulk supply tariff [illegible] it would result in [illegible] with a good load [illegible] much of industry [illegible] considerable [illegible] relative to others [illegible] domestic sector.

If reflected in [illegible] this would give a [illegible] advantage to South [illegible] industry, relative to the [illegible] North Island.

North Island [illegible] indicated, would be [illegible] a small overall increase [illegible] to a modest increase [illegible] ratio of peak charges to [illegible] charges.

These arguments [illegible] count of the actual [illegible] and demand situation [illegible] 1977-78 year.

They take no [illegible] likely future changes [illegible] they include the [illegible] arguments from the [illegible] and the Ministry of [illegible] that tariffs should [illegible] closer relationship to [illegible] costs than to actual [illegible] which are part of the [illegible] why the current bulk [illegible] tariff has an energy [illegible] ponent much higher [illegible] indicated by the cost [illegible] of the NZED.

Nevertheless, they [illegible] more "truthful" approach [illegible] setting of the bulk supply [illegible] than that which is current [illegible] force, and recognise the [illegible] differences in need [illegible] supply options, between [illegible] North and South Islands.

Such a philosophy for [illegible] bulk supply tariffs would [illegible] substantial encouragement [illegible] South Island industries [illegible] electricity. But it would [illegible] suitable for any large [illegible] (comparable with Comalco) [illegible] whose demand by [illegible] would severely distort [illegible] supply-demand balance [illegible] the total economics.

Such an option should [illegible] evaluated only in the [illegible] energy context.

South Island [illegible] consumers should be [illegible] benefit to the extent of [illegible] 10 per cent lower [illegible] revised tariffs were [illegible]

Bankcard system undergoes scrutiny as a cartel

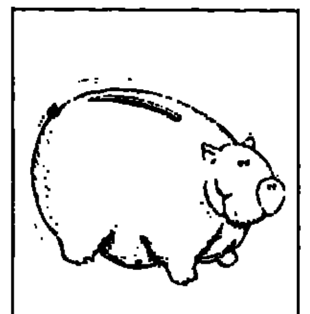
Special Correspondent

AS New Zealand toys with the idea of introducing a Bankcard system, the popular credit card is undergoing scrutiny in Australia where it originated.

It is almost five years since the Australian trading banks got together to introduce Bankcard, and already two million Australians make regular use of it. This year it is predicted that more than one and a half billion dollars will flow through the Bankcard ledgers in a total of 63 million transactions.

But the banks are now under attack on the grounds that they operate Bankcard as a cartel and, because of this impregnable trading position, impose an 18 per cent annual interest rate, considered by many critics to be exorbitant. The Federal Labour Party leader, Bill Hayden, has called Bankcard a "rip-off" and has promised to make the little plastic card an election issue next year.

The Trade Practices Commission is now conducting an inquiry as to whether the card breaches the anti-monopoly sections of the Trade Practices Act. Even if the banks win that battle, they



THE BANKS

then face even closer scrutiny by the Campbell Committee of Inquiry into the Australian financial system set up by the Federal Government.

The Department of Business and Consumer Affairs has submitted to the inquiry that the banks be de-regulated and be forced to compete against each other. The department also advocates that other financial institutions, like finance companies and credit unions, be allowed to have access to the Bankcard system.

Bankcard began operating in October 1974 with the $8 million capital coming from the trading banks; they have since been joined by the state savings banks, making 14 banks in all. The banks are bound by an agreement to set the same interest rates and conditions of use.

The card can be used in most shops, hotels, restaurants and travel services. Customers are billed monthly and they have 25 days free credit before the monthly interest rate of 1.5 per cent applies. The average credit limit is $750. The card can also be presented to any bank for an instant cash advance. The system has largely superseded overdrafts and personal loans which carry smaller interest rates.

The Australian banks have a history of acting together to prevent any reduction in their trading powers. In 1936 they resisted a recommendation from a Royal Commission to set up a central state bank to control the individual banks. Again, in 1947, they waged a fierce campaign to stop the then Labour Government nationalising all the private

ATTRACTIVE PROPOSITION...plastic card stimulates consumer demand

banks in Australia.

So forceful was the campaign that it had a large part to play in the success of the Menzies-led Liberal Party at the following general election.

Estimates of the profits made by Bankcard vary. The banks claim they have not broken out of the red yet. Hayden says they are making an annual profit of $150 million, but that is considered too high an estimate, about $70 million being a more realistic figure.

The Australian experience holds a lesson for New Zealand.

Bankcard is an attractive proposition for the consumer in that he or she can buy an expensive item or take a holiday just by producing a plastic card. For the merchant, the presence of such a card can only stimulate consumer demand; the shopkeeper receives payment from the bank immediately so the normal problems of offering credit (bad debts, slow payment) are avoided. It also means that small businesses can operate a credit system which would have otherwise been impossible to offer.

But the dangers of banks operating the system as a cartel mean that all the conditions of Bankcard work in the bank's favour. An interest rate can be set which ensures high profitability.

The Australian experience shows that most card holders work close to their limit and the high interest rate, combined with small monthly minimum repayment demands, means that many people are committing themselves to a continuing treadmill of debt.